Austria	Sch 28	Indonesia	Rp 2500	Portugal	Esc 90
Bahrain	Din 0 650	Italy	L 1500	S. Arabia	Rls 6 00
Belgium	BFr 45	Japan	Y550	Singapore	S$ 4 10
Canada	C$1 00	Jordan	Fils 500	Spain	Pta 125
Cyprus	C£0 70	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 8 00	Lebanon	£L 25 00	Sweden	Skr 7 00
Egypt	E£1 00	Luxembourg	LFr 45	Switzerland	SFr 2 20
Finland	Fmk 6 50	Malaysia	Rm 4 25	Taiwan	NT 585
France	FFr 8 00	Mexico	Pes 300	Tunisia	Din 0 600
Germany	DM 2 20	Morocco	Dh 6 00	Turkey	L 750
Greece	Dr 80	Netherlands	Fl 2 75	U A E	Dh 6 50
Hong Kong	HK$ 12	Norway	Nkr 7 00	U S A	$1 00
India	Rup 15	Philippines	Pes 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,962

Tuesday June 24 1986

D 8523 B

Showdown looms over unitary taxation, Page 18

World news

Thai ore refinery burned by rioters

Thousands of angry protesters burnt down a $77m tantalum ore refinery, wrecked vehicles and a luxury hotel and stormed government buildings on the Thai resort island of Phuket.

The riot broke out after the Industry Minister arrived on a fact-finding visit to assess the future of the refinery.

The tour was halted out of fear for his safety and the Prime Minister imposed a state of emergency and a dusk-to-dawn curfew on the island. Page 4

Mali border tension

Tension is mounting on the border between Burkina Faso and Mali, which has strengthened its forces along a disputed land strip, according to the Burkinabe Government. It said the situation was similar to that on the eve of last year's five day Christmas war.

Gulf tanker hit

A Philippines-owned tanker carying Saudi Arabian oil was hit in an apparent Iranian air attack near the Strait of Hormuz at the mouth of the Gulf. One crewman was reported dead, and two seriously injured.

Pasok office blaze

A fire severely damaged an Athens office of Greece's ruling socialist party (Pasok). An urban guerrilla group called "Anarchist Action" claimed responsibility.

TV standards move

The European Community agreed on common standards, based on a oew MAC system for direct satellite television broadcasts in a move to protect Europe's television industry from US and Japanese competition.

Opec accord hope

Sheikh Yamani, Saudi Arabia's oil minister, said he expected progress on an Opec production sharing accord at the conference starting in Briuni, Yugoslavia tomorrow. Feature, Page 19

Socialists' leader

Willy Brandt, president of the Socialist International since 1976, was re-elected to the post at the group's 17th coogress in the Peruvian capital, Lima.

Bomber sentenced

Patrick Magee was given life sentences on each of eight charges connected with planting a bomb at the 1984 conference of the British Conservative party in Brighton, which killed five people, and conspiring to carry out an IRA bomb campaign. The judge recommended that he serve a minimum of 35 years.

Nurses on strike

Israeli hospitals sent up to half their patieots home as 11,000 nurses walked out after the Government refused to recognise their break-away union or open wage negotiations.

Aids count rises

Aids may have affected as many as 100,000 people worldwide according to the World Health Organisation, which said that official figures of less than 30,000 cases worldwide were a "gross underestimation."

Amritsar violence

Street disturbances erupted for the third day running in the Sikh holy city of Amritsar, despite a police curfew, as a strike by Hindus paralysed the city.

Bets handed back

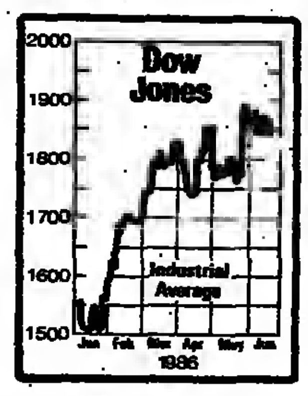
English bookmaker William Hill is refunding stakes to those who bet oo a draw between England and Argentina afater 90 minutes, saying that Argeotina's first goal in its 2-1 World Cup win was a "blatant handball." three England fans were arrested after the match, and were released without charge.

Business summary

Tenneco in $1.5bn disposal to cut debt

TENNECO, the Texas-based conglomerate which has been hit by the slump in the oil and gas industry, is to sell its insurance operations for $1.5bn to ICH, an insurance group based in Louisville, Kentucky, using the proceeds to reduce its debts. Page 20

WALL STREET: The Dow Jones industrial average closed 15.28 down at 1,864.26. Page 44



TOKYO: Institutions continued to trade in large-capital stocks helping to boost the Nikkei average to its fourth consecutive high. It closed 3.03 up at 17,457.89. Page 44

LONDON: Institutional investors retreated to the sidelines leaving leading shares lower for the first time in eight consecutive trading sessions. The FT Ordinary share index closed 15.2 down at 1,338.2 and the FT-SE 100 lost 14.4 to 1,622.8. Page 44

DOLLAR rose in London to DM 2.2485 (DM 2.2445); FFr 7.1675 (FFr 7.1625); SFr 1.8475 (SFr 1.8460), and Y167.90 (Y167.70). On Bank of England figures the dollar's index rose to 116.9 from 116.1. Page 37

STERLING was unchanged in London to close at $1.5000. It rose to DM 3.3725 (DM 3.3675); FFr 10.75 (FFr 10.745); SFr 2.7725 (SFr 2.769), and Y251.75 (Y251.5), the pound's exchange rate index was unchanged at 75.7. Page 37

GOLD fell $0.25 to $340.75 on the London bullion market. It also fell in Zurich to $340.7 from $339.75. Page 36.

EEC annual inflation rate fell to a low of 3.5 per cent last month with West Germany at −0.2 per cent (unchanged) and Greece 24.5 per cent, up 0.5 per cent.

US SENATE is today expected to approve the most sweeping reform of the tax system since the Second World War. Page 5

US Federal Reserve Board monetary policy director Stephen Axilrod is quitting next month.

NORMED, one of France's two main shipbuilding groups, is expected to file for bankruptcy this week. Page 20

WEST GERMANY'S trade surplus is falling sharply by volume because of booming imports and almost stagnant exports, says the Bundesbank. Page 2

BRITAIN increased its share of the world export market in armaments from 7 per cent in 1984 to 9 per cent last year, with nearly £3bn ($4.5bn) in sales. Page 8

ASEA, Swedish electrical engineering group, it to acquire its Finnish rival Stromberg, the electrical engineering division of Kymmene-Stromberg. Page 21

GENERAL ELECTRIC and Allied Signal, two major US industrial groups, said their aircraft engine units have teamed up to produce a new, high efficiency turbofan engine, for corporate aircraft. Page 21

MAY DEPARTMENT STORES offered to acquire Associated Dry Goods, another major US department store owner, in a share-swap deal worth $2.7bn. Page 21

ROUSSEL-UCLAF, the French pharmaceutical group owned 54.5 per cent by Hoechst of West Germany, said the lower dollar exchange rate is likely to cut group profits by 15 per cent. Page 21

US SUPREME court is to hear Pennzoil's claim for $12bn from Texaco, which it claims improperly interfered in its planned acquisition of Getty Oil in 1984. Page 21

Socialists firmly in control but gains hearten Spanish rivals

SPANIARDS awoke bleary-eyed yesterday, dazed by their football team's defeat against Belgium in the World Cup quarter-finals – which kept most of the country up well into the early hours – and puzzled as to what to make of the results of Sunday's elections, writes David White in Madrid.

Confirming the Socialists in power for a second term, the elections provided some satisfaction for all the main national parties except one, but no surprise triumph for any of them. The new parliament due to meet in mid-July provides few pointers to new alternatives in Spanish politics.

The tendency, meanwhile, of regional forces to complicate matters has been accentuated by the increased strength of the conservative Catalan nationalists and the bombshell success of the Basque extremists, who refuse to sit with the other parties.

The Socialists, who lost 18 of their 202 seats in the 350-member congress and more than 1m of their 10m votes of four years ago, may feel to some extent chastised, and Mr Felipe Gonzalez is expected to make some changes when he announces a new government late next month.

They have kept solid working-class support even in crisis regions, however, and their tactic of presenting themselves as the only party currently capable of guaranteeing stable government has worked.

The turnout of over 70 per cent was higher than many expected, considering the combination of disillusion, apathy, complacency and glorious weekend weather.

Two parties that made inroads into Socialist support – the CDS centre party of Mr Adolfo Suarez, the former Prime Minister, and the United Left party built around the Communists – claim the results as the beginning of the end of two-party politics. These parties have ensconced themselves respectively in third and fifth positions. But the spectrum has not changed dramatically: the two main parties on the left and right still hold more than 80 per cent of the seats between them.

Hopes for a reorganisatioo of forces on the centre-right, with chances of rivalling the Socialists, have been set back by the unexpectedly sweeping failure of the new Democratic Reformist Party, a bid by the Catalan oationalists to carry their success into the rest of Spain. It aspired to third place, but in the event – apart from one seat won by an associate party in Galicia – it failed to take any place at all. Its leaders gallantly say they are pressing on, but the whole initiative is now back to square one.

This spectacular flop allowed Mr Manuel Fraga's conservatives to maintain their position. However, his Popular Coalition appears to have reached a ceiling. It is questionable whether an opposition built up from the right rather than from the centre, especially under the leadership of a former Franco minister, can get much further thao Mr Fraga already has.

Mr Suarez has carried off his much-heralded comeback, thanks to his personal charisma and a clever campaign, but not as dramatically as some forecasts had indicated. In the end, his group does little more than fill the space taken four years ago by the rump of his former party, the UCD.

Harking to a more optimistic period in Spain, he took votes from both Socialists and Conservatives. The absence of the reformists leaves him now to fight it out with Mr Fraga's party for the initiative on the centre-right.

On the left, the Communists' new alliance scored gains, especially in the Socialist fief of Andalucia, which also elected its regional assembly on Sunday.

Again, the advance was well below the wildest expectations. The party failed to rally all the left-wing lobby which voted in March against the Government in the latter's successful referendum to keep Spain in Nato. However, the result leaves the Communists in a more hopeful mood than they have known since their collapse in 1982. (Mr Saotiago Carrillo, who resigned the leadership after that defeat, failed to his solo bid to keep his seat on Sunday and bowed out of parliamentary politics.)

Another gain that fell short of a

Continued on Page 20
Editorial comment, Page 18

UK will use Tambo meeting to push for Pretoria-ANC talks

BY MICHAEL HOLMAN, ROBERT MAUTHNER AND PETER RIDDELL IN LONDON

BRITAIN yesterday signalled an important change in its relationship with South Africa's banned African National Congress (ANC) and invited Mr Oliver Tambo, the ANC leader visiting the UK, for talks with Mrs Lynda Chalker, a Foreign Office minister.

The meeting, the first at ministerial level, underlines the British Government's belief that Pretoria should open negotiations with the ANC. But Mrs Margaret Thatcher, the Prime Minister, is still resisting the imposition of widespread new economic sanctions as a way of bringing the South African Government to the conference table.

The British Government has until now resisted calls for exchanges at ministerial level with the ANC, arguing that the organisation should first renounce violence. The first formal contact between the two parties took place in Lusaka, the Zambian capital, last February when Mr John Johnson, a senior Foreign Office official, met ANC representatives.

The meeting with Mr Tambo is due to take place tomorrow. "We want to impress on the ANC that negotiations and dialogue is the way forward," said a Foreign Office official.

Mr Tambo is expected to repeat the case he made in London yesterday for comprehensive and mandatory economic sanctions against South Africa. Speaking at a meeting of the Royal Commonwealth Society he rejected the argument that sanctions should not be imposed because they would harm black South Africans.

"The burden that sanctions will bring upon us," he said, "is a sacrifice that we are prepared to make. We ask for no pity."

The South African Government had mounted "a vicious campaign of terror" against all those opposed to apartheid, he said. "The result of each day that no action is taken is that one extra day is added to the perpetuation of apartheid. The British Government can no longer shirk acting decisively."

Step-by-step economic measures were inadequate, said Mr Tambo, for they allowed South Africa "to adjust to the consequences of each specific action. What we are calling for is comprehensive and mandatory sanctions." These would be "a complementary form of action to the struggle we are waging." They would not in themselves end apartheid.

If Britain, West Germany and the US continued their opposition to full sanctions, said Mr Tambo, conflict in South Africa would be prolonged and this would result in the destruction of the country's economy.

Britain's attitude to sanctions could affect future trading relations with a black-ruled South Africa, he told a news conference after his address. "As the conflict escalates, we naturally become sensitive as to who is on our side."

The EEC heads of government will find it difficult at this week's meeting to patch up their differences on economic sanctions.

Britain and West Germany are still firmly opposed to a general trade embargo, while France falls somewhere in the middle of the wide spectrum of views on sanctions in the Community.

All member countries are agreed, however, that a new signal must be sent to the Pretoria regime to change its policy on apartheid and a dialogue with black opposition leaders.

Mr Rund Lubbers, the Dutch Prime Minister and chairman of the EEC Council of Ministers, has written to the leaders of the 12 member countries calling on them to take action on South Africa at their Hague meeting.

What was needed, Mr Lubbers said, was that the summit should give "a clear political signal" to Pretoria in the light of the recent report of the Commonwealth Eminent Persons Group. The report said that sanctions provided the last chance of averting a bloodbath in South Africa.

Mr Lubbers is reported to favour limited economic measures such as a Community ban on imports of South African fruit and vegetables, a move opposed by Mrs Thatcher. Apart from the British Government's opposition in principle to trade Restrictions, it is also felt in London that a fruit and vegetable ban is being proposed by some member countries to favour their own exports, which would replace South African products.

In London yesterday, Mr Terry Waite, the Archbishop of Canterbury's special envoy who has returned from a visit to South Africa, warned of a continuing "spiral of violence" in the republic.

"There is no doubt that the country is in the grip of draconian security measures and in the grip of extreme hardliners who do not want to see any change and will use any repressive methods to intimidate the black community," he said.

"Hundreds of people" had just gone missing and the security forces were using violence on an "unprecedented scale" and attempting to break the leadership of black communities.

"It is sheer lunacy to lock up those leaders who have been powerful forces in understanding and reconciliation," he said, referring in particular to arrests of clergymen.

Mrs Thatcher, however, has not changed her view that the best way to help the resumption of negotiations is not by applying what would

Continued on Page 20
Treason charges dropped, Page 4

GM seeks 23% job cuts at UK trucks division

BY KENNETH GOODING IN LONDON

GENERAL MOTORS' Bedford commercial vehicle business in Britain is seeking 1,700 voluntary redundancies, representing 23 per cent of its workforce, following a net loss of £73m ($108m) last year.

There could be more changes to come, because GM's world truck and bus organisation, of which Bedford is an important part, has revealed a significant shift in strategy.

GM has put its bus operations up for sale because they cannot be made viable. The group also says that, although it wants to stay in the heavy truck business, steps must be taken to make GM's operations more competitive – "perhaps with a partner."

GM seemed to have run out of potential European partners for Bedford three months ago when discussions with the UK Government about the acquisition of state-owned BL's Land Rover-Leyland commercial vehicles division broke down.

However, GM admitted yesterday that it has started fresh talks with a continental European truck group – but would not give any details.

It is becoming increasingly unlikely that GM will ask the UK Government if it can re-open discussions with BL. The US group continues to insist it would be interested only if Land Rover was included in any deal as well as Leyland Trucks. London, in turn, has made clear that Land Rover is no longer for sale.

It appears that the Bedford redundancy programme announced yesterday was due to be put into effect last year but was held back by the negotiations with BL. GM expected to merge Bedford with Leyland Trucks and to ratiooalise their operations.

Bedford now wants to cut 520 jobs from its heavy trucks workforce at Dunstable, north of London, 660 at the oearby Lutoo van plant, 340 from the Lutoo press shop and 180 from support and administrative staffs.

Mr Paul Tosch, Bedford's chief executive, said the redundancy programme and other cost reductioo measures aim "to bring the organisatioo's cost structure and sales expectations into balance without further delay."

Management accounts show Bedford suffered a oet loss of £73m last year on turnover of £401m, compared with a loss of £62.4m on sales of £335.9m in 1984.

Bedford was profitable until 1979, but in 1980 it suffered a record deficit £83.3m. Since then it has run up losses totalling well over £300m.

The organisation sold 61,646 vehicles in 1985, up from 47,958 the previous year. This growth stemmed mainly from the less profitable light vans and from truck exports which improved from the low point of 7,985 to 11,884.

Mr Tosch said: "These improvements were largely offset by a decline in the more profitable domestic sales of heavy vans and trucks. This caused an imbalance in the sales mix, an imbalance reflected in the company's disappointing financial results."

Bedford also faced an increase in interest charges from £11.2m to £18.8m last year, mainly on money borrowed towards the £70m spent since 1983 to restructure the van op-

Continued on Page 20
Ford UK takes on more workers, Page 7

Japan buys gold via US to cut trade gap

By Stefan Wagstyl in London

JAPAN has made a small dent in its huge trade surplus with the US by going to great lengths to route government gold imports through the US.

Gold traders in London, New York and Tokyo, say that Japan, which has bought bullioo to mint coins to mark the 60th anniversary of the accession of Emperor Hirohito, has taken the unusual step of shipping metal from Europe to the US before re-exporting it to Japan.

Tokyo bought most of the 223 tonnes of metal it wants for the coin earlier this year.

The Japanese Ministry of Finance reported yesterday that gold imports for May were a record 94.12 tonnes, up from 59.09 tonnes in April. Traders said that the April total largely reflected growing demand for jewellery, but the May figure was mainly accounted for by official purchases.

Gold imports from the US soared from a negligible 0.76 tonnes in April to 65.58 tonnes in May. One trader said: "I have little doubt that they have done it to adjust the trade figures. Japan imported only 1½ tonnes from the US to the whole of last year."

Japan's trade deficit with the US is expected to total $50bn this year. The May gold imports from the US were valued at $722m.

Officials at the Japanese Ministry of Finance declined to say how much gold for the Hirohito coin had already been bought

Gold traders in Londoo said that the gold had been bought on Japan's behalf by Citicorp, the US banking group, through Sharps Pixley, the Londoo bullioo house which is a subsidiary of merchant bank Kleinwort Benson.

Sino-Japanese trade tensions, Page 6

British Telecom set to enter personal computers market

BY JASON CRISP IN LONDON

BRITISH TELECOM is set to enter the highly competitive personal computer market this autumn with an IBM-compatible product made by Zenith in the US and is also talking to Apricot Computers of Britain.

BT is considering adding to its range the new IBM-compatible Xen computer launched by Apricot last week. In addition, BT and Apricot have agreed to the joint development of a new product combining a personal computer and an advanced telephone.

These links will renew speculation that BT may bid for, or take a stake in Apricot which has suffered a successiou of problems. Last week Apricot announced it was withdrawing from the volume personal computer business, changing its remaining products to be compatible with IBM and reported a net loss of £15m ($22.5m) for the year to March 1986.

BT is keen to diversify and is known to have looked at a number of office equipment companies.

Although Apricot is still in a reasonably strong financial position it has said it would be happy to have close links with a strong partner.

Apricot's move to IBM compatibility was almost certainly influenced by BT. Although BT seems quite keen on the new products announced last week it would be six to nine months before it could start selling them.

BT's move into personal computers is likely to attract criticism because the market is weak and prices have fallen dramatically.

However, Mr Peter Yellow, director of information systems in BT's business systems division, emphasised that the company was not going to compete for the volume business where margins are very thin.

It hopes to sell personal computers for specialised uses, particularly in communications, and is not expecting to get high sales. The joint development with Apricot is to combine the personal computing power of the Xen with the Qwertyphone – a £400 feature telephone and terminal launched by BT in April.

BT is expected to reach an agreement with Zenith shortly to sell its IBM compatible personal computers under the British company's Merlin brand name BT is also expected to buy a substantial number of these computers for its own use.

In the US, Zenith recently woo a $27m order for personal computers from the Internal Revenue Service – a contract which had been widely expected to go to IBM itself. BT is understood to be talking to other personal computer companies about distributing their products.

CONTENTS

EUROPEAN NEWS

Nato experts seek fresh arms policy

NATO disarmament experts met yesterday to begin what is widely expected to be a long operation by the Western Alliance to forge a new approach to conventional arms control with the Soviet bloc, Reuter reports from Brussels.

Nato officials said that a high-level task force, set up last month, held its first meeting with arms control experts from all 16 member states under the chairmanship of Mr Marcello Guidi, the deputy secretary-general.

The group is expected to meet periodically over the next few months and has been instructed to produce an interim report on its work in October.

The Nato move and pronouncements by Mr Mikhail Gorbachev, the Soviet leader, have brought the issue of the East-West balance in conventional arms and forces back into focus after years during which it was eclipsed by the nuclear missile debate in Western Europe.

The West says its forces are outgunned and outnumbered by the Warsaw Pact in Europe. Diplomats say the issue has taken on added urgency because of the increased expectations of an East-West agreement on medium-range missiles in the next few years.

The working group is mandated to come up with bold, new steps to build on the long-stalled MBFR (Mutual and Balanced Force Reductions) talks in Vienna on force reduction levels in Central Europe and the 35-nation Stockholm Conference on European Disarmament.

But diplomats say an extremely general brief will allow it to review the whole state of play and consider prospects for widening talks to span territory from the Atlantic coast to the Soviet Ural mountains.

The present 13-year-long MBFR talks focus on cuts in manpower and arms in the Benelux states, East and West Germany, Czechoslovakia and Poland.

Diplomats say that the complexity and vastness of the subject means there is little prospect of quick progress.

"Given the highly complex nature of the subject and the tight time scale, the task force is unlikely to come up with anything other than nebulous ideas by October. The whole process is likely to be e long haul," said one diplomat.

An early task of the group will be to analyse the Warsaw Pact's proposals of June 11 which suggested troop cuts in Europe by both sides of more than one million men by the early 1990s.

They have yet to be translated into concrete form at the negotiating table, but Western leaders, including President Ronald Reagan, have voiced cautious welcome for the proposals

Diplomats say the Budapest proposals also hinted at a softening of position by the Soviet side on verification, the main sticking point in the Vienna talks.

Swedish GNP likely to grow by 2%

By Kevin Done, Nordic Correspondent in Stockholm

THE SWEDISH economy was still growing strongly in the first quarter of the year with a growth in Gross National Product (GNP) of 3 per cent compared with the corresponding period of 1985, according to the Central Office of Statistics (SCB).

The latest official forecast for the whole of 1986 contained in the revised national budget suggests that GNP will grow by some 2 per cent.

According to the SCB, private consumption rose by only 1.5 per cent chiefly as a result of falling spending on items such as cars and heating oil, whereas retail sales have beeo expanding far more quickly.

The Swedish trade balance has improved strongly, due to falling oil prices, which are estimated to have cut the country's import bill by around SKr 6.5bn (£590m) in the first five months of the year.

The trade balance has jumped to a surplus of SKr 14bn in the first five months of 1986 compared with a surplus of only SKr 2.14bn a year earlier.

Lower oil prices account for about half of this improvement, according to the SCB.

West German trade trends distorted by fall in oil price

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S trade surplus is now falling sharply in volume terms because of booming imports and almost stagnant exports, according to the Bundesbank in its latest monthly report released today.

The central bank notes that in nominal terms the trade surplus, seasonally adjusted, rose from DM 27.5bn (£7bn) io the last third of 1985 to DM 34bn io the first third of this year.

But it underlines that this nominal increase was doe to an improvement in West Germany's terms of trade caused above all by the drop in the oil prioe and the strength of the D-Mark against the dollar.

In volume terms, that is after excluding the price factor, the trade surplus in January-April this year was actually DM 3bn lower than it was in September-December 1985, the Bundesbank said.

The central bank's analysis comes amid calls from abroad—not least from the US—that West Germany do more to stimulate its economy, boost imports and thus help cut its trade and current account surpluses.

In oomioal terms, the trade surplus rose to a record DM 32.3bn in the first third of this year compared with the same period of 1985, while the current account surplus jumped to DM 24.6bn from DM 8.8bn before.

However, the Bundesbank stresses that the nominal figures tend to mask the fact that German demand for imported goods is already strong and growing.

This will become quite evident once the receot cut io import prices (especially oil) comes to a halt or is even reversed, the central bank comments.

It ootes that in January-April this year imports in volume terms rose by 7 per ceot against the same period of 1985 while exports—previously the main engine of West German economic growth—increased by only 3 per ceot.

The Bundesbank judges that the strength of the D-mark will boost the price competitiveness of foreign sellers io German markets, thus stimulating imports further.

Although the D-mark remains relatively weak within the European Monetary System (EMS), it has gained more than 40 per cent against the dollar—and oearly 10 per ceot against the currencies of 14 key trading partners—since the start of last year.

The Bundesbank points out that West German exports in the first four months of this year dropped io nominal terms by 24 per cent to the Opec states, by 12 per cent to the East Asian countries and by nearly 5 per cent to the Soviet Union.

Exports rose by only 2.9 per cent to the US, which io previous years has been a booming market for the West Germans.

Swiss may have to do without sixth N-plant

BY WILLIAM DULLFORCE IN GENEVA

SWITZERLAND, one of the countries most strongly committed to nuclear power, may have to do without its sixth nuclear power station, judging by anti-nuclear developments at the weekend and earlier.

The annual congress of the Socialist party, which holds two portfolios in the seven-member Federal Council (government), decided on Sunday to organise another referendum on the phasing out of nuclear power.

On Saturday the anti-nuclear movement attracted some 20,000 demonstrators to the nuclear power plant at Goesgen. Opinion polls now show e majority of Swiss opposed to continuing the nuclear programme.

Parliamentarians, who had previously voted for it, have admitted to being overtaken by doubts after the accident to the Soviet nuclear reactor at Chernobyl.

A survey conducted by the weekly Schweizer Illustrierte indicated that at least 25 of the 118 who had previously voted for the building of the sixth nuclear power station at Kaiseraugst had been shakeo in their convictions.

The shift in opinion is most marked in German-speaking Switzerland, which had previously been staunchest in support of nuclear power. The change is attributed largely to the influence of the vigorously renewed anti-nuclear challenge in neighbouring West Germany.

Before the Socialist party decided to push for a referendum, anti-nuclear organisations in north-west Switzerland, where Kaiseraugst is situated, had announced that they would seek a popular vote in favour of a 10-year moratorium on the building of more nuclear plants.

Both must collect 100,000 signatures to launch the lengthy process towards a referendum. It would be at least three years before a vote could be held but the government would be kept under pressure to delay the final authorisation for building the Kaiseraugst plant.

ATEL, the private consortium responsible, was granted a general construction permit for Kaiseraugst in March 1985. It hopes to obtain a nuclear building permit by the end of 1988 after satisfying the authorities about safety precautions at the plant.

Kyprianou in Athens for talks on Cyprus

BY ANDRIANA IERODIACONOU IN ATHENS

MR SPYROS KYPRIANOU, the President of Cyprus, arrived in Athens yesterday for consultations with the Greek Government on the deadlock in United Nations efforts to achieve a settlement for the divided island.

UN officials in Nicosia said, on the eve of the Cypriot President's journey to Athens, that Mr Javier Perez de Cuellar, the UN Secretary-General, has not given up his peace initiative for Cyprus despite failure over the past year and a half to come up with a settlement plan acceptable to both the Greek and Turkish Cypriot communities.

Since January 1985, Mr de Cuellar has submitted to the two sides three draft settlement plans, all based oo the idea of setting up a federal Republic in Cyprus.

The first was turned down by the Greek Cypriots on procedural grounds. The second, submitted in April 1985, which conceded procedural points to the Greek Cypriots, was turned down by the Turkish Cypriots. The third, submitted at the end of March 1986, withdrew these concessions and was again rejected by the Kyprianou Government.

The UN officials said that Mr de Cuellar has not finalised his next move but that one possibility is the despatching of a special envoy to Nicosia. The purpose would be for separate consultations with the two sides, particularly with a view to sounding out the Greek Cypriots' ideas on how to move the peace initiative forward.

The Greek Cypriots' relations with the Secretary-General are at a low ebb since his report oo Cyprus before the Security Council in early June in which he blamed them for holding up the peace effort.

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Portuguese minority Government seeks vote of confidence

BY PETER WISE IN LISBON

PORTUGAL'S minority Social Democrat Government, faced with persistent opposition moves to block key economic legislation, presented a confidence motion in Parliament yesterday that will be voted on next week.

The decision was announced after an emergency cabinet meeting convened by Mr Anibal Cavaco Silva, the Prime Minister, to discuss a vote last week that denied the Government authority to bypass Parliament and enact controversial new labour laws by decree.

The Social Democrats, who came to office in an early election last October, hold only 88 of the 250 seats in Parliament and could be defeated by the combined votes of the three main opposition parties on the left and centre.

But the 45 deputies of the centrist Democratic Renewal Party, who hold the balance of power in Parliament, are widely expected not to vote against the Government.

Winning the confidence motion would give the Government greater authority to denounce what it calls opposition attempts to subvert its programme aimed at re-establishing private enterprise as the driving force behind the economy.

A defeat would force the Government to resign.

Mr Cavaco Silva has made the revival of strongly pro-worker labour laws a key objective in his programme.

Earlier this year, the opposition forced changes in the budget that obliged the Government to cut petrol prices and lower income tax.

The Prime Minister has warned the opposition that his Government's responsibilities will end if the opposition continues to block important legislation.

In a separate development yesterday, the Government ordered two non-diplomatic employees at the Soviet Embassy in Lisbon to leave the country within three days for "inadmissable interference in Portugal's internal affairs" and "affronting the security of the state."

Sicilian voters back Christian Democrats

BY JAMES BUXTON IN ROME

ELECTORS in Sicily voting on Sunday for a new regional government have confirmed the position of the long-ruling Christian Democrat party in the island, while denying the Socialist party the electoral boost it had sought.

Both parties in the elections, which like most Italian electoral tests, produced only marginal shifts of votes, took satisfaction from seeing the Communist vote decline.

With all the 3m votes counted yesterday, the Christian Democrats had won 38.8 per cent of the poll. This represents a 0.9 per cent increase compared with last year's election for provincial councils, but a fall compared with the last regional elections in 1981 when the Christian Democrats won 41.4 per cent.

Socialists won 15 per cent of the vote, a fall of 0.7 per cent compared with last summer's poll, and only a small improvement compared with the 1981 regional elections.

The opposition Communist Party's support fell to 19.3 per cent from last year's 21 per cent and the 1981 result of 21.7 per cent.

Norwegian minister optimistic on oil prices

By Fay Gjester in Oslo

CAUTIOUS OPTIMISM about the longer-term prospects for firmer oil prices, as a result of action by the Organisation of Oil Exporting Countries was expressed here yesterday by Mr Arne Øien, Oil Minister in Norway's new Labour Government.

Mr Øien answered some—but not all—questions he was aswed about the talks in Venice on Sunday with Sheikh Ahmed Zaki Yamani, his Saudi opposite number.

He agreed several weeks ago to Sheikh Yamani's request for a meeting, but the time and place were kept secret until Sunday, to foil terrorists.

The Venice discussions — which lasted five hours — came on the eve of the Opec Ministerial meeting, which starts tomorrow on the Yugoslav island of Brioni.

Sheikh Yamani had explained the situation within Opec, "and I got the impression that they are working towards a greater degree of control," Mr Oien said.

"I have no great hopes for the near future. The short-term price outlook is uncertain, but towards the end of the year we could see a stronger price."

Prices would not firm without production cuts. "At present" there was no agreement on these, but it might be possibla to work towards such agreement.

There would be no "concrete results" from the Brioni meeting, but it could lay the groundwork for co-operation which might lead to results over the coming months.

"I would not discount the chance that Opec may secure much better control of the situation than they have done now, but I wouldn't bank on it." the minister declared.

He had explained to Sheikh Yamani, in a general way, what action Norway might take in support of a concerted Opec drive to stabilise prices at a realistic level, if Opec managed to organise such a drive.

But he had not laid any specific plan of action before the Saudi Minister.

AP-DJ adds from Brioni: Sheikh Yamani said yesterday that he did not see any new accord on prices emerging from the current Opec meeting, but expects "another step" toward agreement on a new production-sharing pact.

Community blocks Japan's TV move

BY PAUL CHEESERIGHT IN LUXEMBOURG

THE EUROPEAN Community has blocked attempts by Japan to dominate the next generation of television broadcasting by adopting its own standards for direct broadcasting by satellite and its onward transmission by cable.

Trade ministers meeting in Luxembourg decided that the European standard would be based on what is called the MAC packet. This allows a more evolutionary approach to the development of television broadcasting techniques than the high definition approach sponsored by Japan and accepted by the US.

Japan had sought last month at a meeting of the International Consultative Committee on Radio, bringing together world broadcasting organisations, to have an international standard based on its own developing television technology.

Had this been accepted, the Japanese equipment industry would have had its pre-eminent international position enhanced.

The Community decision, by contrast, should benefit European companies such as Philips in the Netherlands, Thomson in France and Thorn-EMI in the UK. They are developing products in accordance with MAC packet standards and researching derivation of them.

From the European point of view, the decision yesterday means a gradual change to acceptance of direct broadcasting by satellite. The MAC standards are compatible with television receivers using 625 lines, the European norm.

Had Japanese ideas been accepted, receivers with 1125 lines would be required—the Japanese approach demands a quantum technological leap.

Adoption of the MAC packet permits both the use of C-MAC, the preferred British system and the D2-MAC packet, which would have been used in the first French and West German direct-broadcasting-by-satellite exercise, had the Ariane rocket not failed at its latest launch.

Work is taking place on a micro-chip to make the two European systems compatible.

The agreement among the trade ministers lasts until the end of 1991. It provides that European developments towards high definition television will spring from the MAC packet systems.

The text states that each Community country has the freedom to choose the television system most appropriate to its needs but that technically it must fit in with the MAC packet standards and that all legislative and regulatory measures will be taken to ensure that is the case.

The question still has to be debated by the European Parliament and, in the British case, must be accepted by the House of Commons.

Raymond Snoddy adds: Mr Tom Robson, director of engineering at the Independent Broadcasting Authority, which regulates commercial television in the UK said last night that the EEC decision was "certainly a step forward."

Mr Robson, however, expressed disappointment that the EEC had backed the MAC family of standards rather than the C—MAC—the British system which can handle eight separate sound tracks.

France and West Germany are both backing a variant called D2—MAC which has only four sound tracks.

Greece switches its Turkish 'war' to EEC

BY ANDRIANA IERODIACONOU IN ATHENS

A FIERCE diplomatic war which has raged between Greece and Turkey since the Turkish invasion of Cyprus in 1974 has transferred itself from Nato, of which both are members, to the European Community, which includes Greece and to which Turkey aspires.

According to officials in Athens, Dr Andreas Papandreou, the Greek Prime Minister, is planning a forceful approach over the dispute at the EEC summit in The Hague later this week. At the heart of the matter lies the concerted effort made by the outgoing Dutch EEC Presidency to revive the Turkish-EEC Association Treaty, signed in 1963 but put on ice after the 1980 military coup in Turkey.

The Greeks have made no bones about their total opposition to any normalisation of Ankara's relations with the Community, which in their view is warranted neither by the human rights situation in Turkey, nor by the progress so far towards restoring democracy.

Turkey's military occupation of the northern part of Cyprus is also expected to be raised in The Hague, particularly in the light of the collapse this month of the latest UN peace initiative for the island, accompanied by rumours of possible fresh military unrest there.

Athens has in the first instance attached two conditions to its obligation to sign a supplementary protocol which would fully integrate Greece into the Turkish-EEC Association treaty, an obligation assumed when it became a full members in 1981.

The first condition is that Turkey rescind legislation dating back to the early 1960s blocking the assets of Greek citizens in Istanbul, which Athens argues contravenes the non-discrimination clause of the Association treaty.

The second is that Greece be exempt for security reasons from any future free movement of Turkish workers in the Community, which is foreseen by the Association treaty to take place later this year.

This is an extension of an argument which Greece has advanced at length in Nato: that Turkey poses a military threat for the Greeks to the east. Dr Papandreou said recently that Greece might consider seeking within the EEC a generally-worded guarantee of its borders, a bid which was vetoed by Turkey within Nato.

Ankara has always vigorously denied Greek charges of harbouring expansionist designs in the region. Until recently Mr Turgut Ozal, the Turkish Prime Minister, has pursued a policy of proffering an "olive branch" to the Greeks, proposing that the two countries sit down and resolve their disputes on a bilateral basis. Lately, however, a series of pugnacious statements have been directed at Greece by Mr Ozal and other Turkish officials, which Athens

Mr Papandreou

believes could hardly have been better calculated to lend credibility to the Greek case.

These remarks, as reported in the press, have included reminders that Turkish patience has its limits, that it is a country of 52m compared with 9m Greeks, and that the Greek islands in the Aegean are cramping Ankara's rights in the region.

At the same time, chronic bilateral disputes in Nato have flared up, catching General Bernard Rogers, Nato Supreme Commander, in the crossfire. Gen Rogers last month accused the Turkish Foreign Ministry of orchestrating press criticism against him over alleged Nato wartime plans providing for the despatch of forces to the Greek Aegean island of Lemnos, a perennial focus of dispute. Ankara has also challenged Greek air corridor arrangements over the Aegean before the international civil aviation organisation (ICAO).

Turkish officials are at pains to insist that Mr Ozal has not abandoned his commitment to a peace dialogue with Greece. They admit, however, to a hardening of the Government, press and public mood in Turkey.

"Turkey has aspired to become part of Europe since the time of Kemal Ataturk (the 1920s founder of modern Turkey). Anybody blocking our path is cutting our roots in Europe. It is that raw nerve which Papandreou is hitting," one official said.

"If we are not admitted into the European club, then there might be a lot of popular pressure for Turkey to move in the other direction."

The Greeks leave little room for doubt. "Once the supplementary protocol is signed, then Greece will in turn assess a lot of things — the human rights situation in Turkey, Turkish policy over Cyprus, and Turkey's attitude to Greece," says Mr Theodore Pangalos, Deputy Foreign Minister for EEC affairs. As in all areas where the Greeks and Turks find themselves face to face, the EEC arena promises to be just as turbulent.

EEC air fares decision next week

By Quentin Peel in Brussels

EEC member states have agreed in Burssels not to take any decisions on their policy over air fares and liberalisation of air routes before next week's key meeting of Community Transport Ministers.

The conclusion was reached at an emergency meeting of national transport officials called by the Dutch presidency of the EEC, intended to prevent any earlier deal being done at this week's meeting in Paris of the European Civil Aviation Conference (Ecac).

The conference involves senior transport officials from national capitals – both of the EEC and other European countries – who began informal talks yesterday to prepare the three-day session.

Officials in the European Commission and from member states such as Britain, Ireland and the Netherlands supporting greater liberalisation of civil aviation, had feared a decision by Ecac in favour of continuing a much more regulated system.

Although the outcome of the conference is not legally binding an essentially protectionist decision could have been used at next week's EEC Transport Council to head off moves for greater liberalisation of air fares and capacity-sharing agreements.

The Commission has proposed broad zones for the automatic approval of discount and "deep" discount air fares, whereas member states such as France and West Germany favour more restrictive price policies.

On capacity, the Commission wants no national airline to be protected unless its share of traffic falls below 25 per cent on a particular route, whereas the Franco-German plan would keep capacity at a maximum 45:55 per cent split, thereafter changing only at a rate of one per cent per year.

Plans on the Ecac conference are similar to the Franco-German proposal put to the EEC Transport Ministers.

Johannesburg drops charges in treason trial

BY ANTHONY ROBINSON IN JOHANNESBURG

THE THIRTEEN month treason trial of leading anti-apartheid activists came to an abrupt end in the Pietermaritzburg Supreme Court yesterday when the *state* prosecutor *dropped* all charges against four black trade uninnists.

The four men, all officials of the South African Allied Workers Union (Saawu) which is affiliated to the United Democratic Front (UDF) were the last of the original "Pietermaritzburg 16" who originally faced charges of treason and alternative charges under the internal security laws.

Charges against twelve of the original accused, all prominent members of the UDF including two of the organisation's presidents, Mr Archie Gumede and Mrs Albertina Sisulu, were dropped on December 9. This followed an admission by the prosecution that it had changed the dates on certain evidence brought before the court and the admission by a key prosecution witness that he had made "fundamental mistakes" in his evidence that could have misled the court.

The separate treason trial of 22 anti-apartheid activists at Delmas, 60 kms east of Johannesburg which began on January 20 is continuing. The charges facing the "Delmas 22" include murder and seeking to topple the government *by force*. They rise out of their alleged involvement in the township riots in the Vaal triangle townships

Meanwhile in the "independent" black homeland of Bophuthatswana the police announced that Brigadier Molope, who was in charge of a police unit which shot dead 11 black demonstrators in the *squatter township* of Winterveld on March 26, was himself shot dead at the weekend. Brigadier Molope was named as a respondent in three supreme court applications alleging police brutality.

Elsewhere the bureau for information *reported* that a black man had been burnt to death in the township of Tembisa and another stoned and *then* set alight in the Kwandebele homeland

● On the economic front the Rand fell back again yesterday *in nervous trading* to *close* at 39.10 US cents. This was 60 cents below the opening and 1.50 cents below Friday's closing 40.60 cents.

ASEAN FOREIGN MINISTERS MEET

Lack of co-operation deplored

BY CHRIS SHERWELL IN MANILA

GOVERNMENTS in the Association of South East Asian Nations (Asean) yesterday deplored the six member groupings' lack of progress in economic co-operation, and called on next year's planned summit meeting to determine *its future direction*.

The criticisms, the most vocal in years, came at the annual meeting of Asean Foreign ministers in Manila. *They follow*, a *major* setback to the region's rapid economic growth caused by falling commodity prices intensified protectionism abroad, and a slowdown in foreign investment.

The attacks were surprising the six — Indonesia, Thailand, *the* Philippines, *Malaysia*, Singapore and Brunei—previosuly promoted Asean as the world's best example of regional co-operation, outside the European Community.

Yesterday they frankly acknowledged that the record in intra-Asean trade and in joint industrial projects was disappointing. The principal achievement *indeed*, has been in maintaining an impressively consistent line against Vietnam's military occupation of neighbouring Kampuchea since 1978.

The change of mood was reflected yesterday in suggestions that the six should turn inward. Since Asean is a resource rich grouping embracing 290m people this would have significant implications *for* its *training partners* and allies.

Opening the two day meeting, President Corazon Aquino of the Philippines said it was "lamentable" that Asean continued to look outwards to revive progress. After 19 years she complained, the organisation should now be assessing the co-operation it had achieved "*instead of endlessly discussing* how to get it off the ground."

Tengku Ahmad Ritaudeen, Malaysia's Foreign Minister also *acknowledged* that Asean had lost direction and momentum. Bitterly attacking the *industrialised* countries for being too self interested to help developing nations, he urged Asean to seek greater self reliance.

The Thais said pointedly that Asean should be asking itself why so little had been achieved in regional trade and joint industrial ventures. A "quantum leap" in co-operation was now needed

In a more constructive move *Singapore* revived a proposal it first made in 1980 and suggested the Asean depart from its traditional consensus to promote greater flexibility in decision *making. Members* who agreed a course of action, Singapore said, should go ahead provided other members interests were not harmed.

But *Indonesia*—the *giant* of the region with 165m people — stepped in to counsel patience. Asean was founded on co-operation not integration, said Mr Mochtar Kusumaatmadja, Foreign Minister, and its success came from not going too far.

Shultz urges Asia to oppose protectionism

MR GEORGE SHULTZ, the US Secretary of State, said yesterday that *Asian countries should* continue to speak out against protectionist sentiment in the US, agencies report from Singapore.

"I believe the statements of concern are justified and they ought to keep making them and we *ought to listen*, Mr Shultz said before a meeting with Mr Lee Kuan Yew, the Singapore Prime Minister.

Mr Shultz's comments were clearly aimed at the US Congress, which is considering legislation which could reduce imports from Asia. Mr Shultz added, *however*, that he had faith that President Ronald Reagan would win his battle against such measures.

On this way to the meeting in *Manila of the Association of* South East Asian Nations (Asean), Mr Shultz met Mr Lee for more than two hours, after which US officials said the two men had agreed on the need to keep the world trading system *from* being *hindered* by protectionism and had expressed concern about the rise of global terrorism.

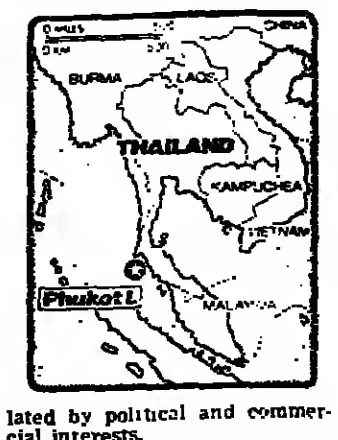
● The new French Government, *led by Prime Minister Jacques* Chirac was strongly attacked yesterday for worsening the political problem in its Pacific colony of New Caledonia, Chris Sherwell *reports from Manila*.

The criticism came from Mr Legu Vagi, the Foreign Minister of nearby Papua New Guinea, *at a meeting of South* East Asia foreign ministers in Manila.

Mr Vagi said New *Caledonia* had seen some progress in negotiations, over the past two years, between the Melanesian Kanaks and the Government in Paris. "But the *situation* has now been made worse by actions taken by the new Government of France which took office in April," he declared.

State of emergency imposed as Thai mob storms refinery

PREM TINSULANONDA, Thailand's Prime *Minister, yesterday* imposed a state of emergency on Phuket Island after mobs put an ore refinery, vehicles and a luxury hotel to the torch *and stormed* government buildings, Reuter reports from Bangkok.



The riots on the popular International tourist island grew out of a protest by more than 100,000 people centred on the tantalum ore refinery there. Prem declared a dusk-to-dawn curfew on Phuket "to protect lives and property . . . for the security and safety of the Kingdom," Radio Thailand said.

The riot, one of the largest ever in Thailand, broke out after Industry Minister Chirayu *Isaragkun na Ayuthaya* arrived on a fact-finding visit to assess the future of the refinery. Soon after arriving to jostling and jeering crowds of about 80,000, Chirayu's tour was halted out of fear for his safety.

Protesters reacted to the cancellation with rage, stoning first the Town Hall and then the Merlin Hotel, where the Minister was thought to have sought refuge. "We have not been able to control the *situation* because we never expected any eruption of violence," a senior police officer said.

Provincial officials said *opponents of* the refinery included citizens worried about possible pollution and well-organised protesters manipulated by political and commercial interests.

Thailand is the world's fourth biggest producer—after Brazil, Canada and Australia—of tantalum, which is a metal refined from tin slag and used *in* the aerospace, electronics and armaments industries.

Provincial officials, police and the local fire brigade stood by powerless as the $77m Thailand Tantalum Industry Corporation refinery was stormed and set alight. Provincial officials said *last night* that *they* had no assessment of the damage but that "more of the refinery has been burned down than is left standing."

Police said they had arrested 20 suspected rioters but that there were no immediate reports of casualties.

Australian industry sees gloomy outlook

AUSTRALIAN manufacturers predicted a gloomy *economy* for the rest of the year yesterday as opposition mounted to Prime Minister Bob Hawke's austerity programme within his own party *and powerful* trade unions, Reuter reports from Sydney.

The Confederation of Australian Industry (CAI) said its latest survey showed that business confidence and investment prospects were at their lowest level since Mr Hawke came to power three years ago.

A majority of manufacturing companies reported a significant drop in production for the first time in three years and the *situation was expected to get* worse, the survey said.

Mr Hawke received another setback when the left-dominated Victoria state branch of his Australian Labour Party (ALP) unanimously rejected his appeal to the labour movement for wage and other restraints as part of an austerity drive.

It was the first time that Mr Hawke's own rightwing faction had joined hands with the militant left wing to reject his economic plan, which he had promised to push through even at the risk of his own political future.

● Inflation should improve but output and employment are seen weakening in Australia in fiscal 1986-87 ending June, the National Institute of Economic and Industry Research said.

Real gross domestic product, GDP, growth is forecast to fall to 1.9 per cent from *about* 4.1 per cent in 1985-86.

Australia tightens bank controls, Page 33

Fate of Israeli security chief in the balance

By Andrew Whitley in Tel Aviv

ISRAEL'S top political leadership has cleared its decks in anticipation of today's long expected announcement on the fate of Mr Avraham Shalom, the secret service chief accused of involvement in the deaths in captivity of two terrorists.

With the whole country agog to hear what course of action Mr Yosef Harish, the new Attorney General, is to pursue, usually important foreign affairs have been relegated to a distant second place in the Government's priority.

Prime Minister Shimon Peres last week quietly cancelled at the last moment a planned eight-day swing through Latin America

The "Shin Bet affair" has also blighted the visit of Mr Yitzhak Shamir, the Foreign Minister, to France, which is being reduced from three days to one, to allow him to return to Jerusalem by today.

A commission of inquiry of some sort is now, however, regarded as almost inevitable, though its terms of reference are still to be settled. Also unclear is whether Mr Shalom and possibly some of his other senior colleagues in the security service will step down in advance of the inquiry, as is being rumoured.

The inner Cabinet is united in its opposition to the dismissal of Mr Shalom, but a face-saving formula may be adopted to permit the security chief, who has held his post for six years, to resign.

Nakasone's not running but he is hardly standing still

BY CARLA RAPOPORT IN KOFU

MR Yasuhiro Nakasone, the Japanese Prime Minister, yesterday whirled into Kofu, a town tucked into the hills behind Mount Fuji, and acted just like he was running for a new term as premier—which he isn't. At least, not exactly.

Wearing immaculate white gloves and a large red-and-white ribbon on a grey suit, Mr Nakasone beseeched the modest crowd which had gathered in a damp Kofu car park: "Please let me continue with my work that I started three-and-a-half years ago . . . please help me to set the road for Japan toward the 21st century."

Officially, the upcoming *July 6* election is for all the seats in the 512-seat House of Representatives and half of the 252 seats in the Upper House. However, if Mr Nakasone can help his party to win at least a simple majority of 257 seats in the *important lower house*, he may be in a position to capture another term as party leader and premier. He has never admitted to this in public. A growing number of observers, however, say that Mr Nakasone's chances for holding his job are not strong, regardless of the election's outcome. Even so, Japan's premier appeared to be in outstanding form yesterday, bubbling with energy despite *his hectic* schedule.

Mr Nakasone generously *complimented himself* for his administration's achievements to date—a higher international profile, steps toward administrative reform, tax reform, *privatisation of government* monopolies and a restructuring of the economy away from export-led growth. "I have asked the Japanese people for a verdict—whether or not we can continue with these reforms," he said.

While *avoiding sensitive* topics like military spending, Mr Nakasone denied he was a *hawk on* defence. "Can you imagine a hawk when you look at my face?" he joked. Later, he remarked: "We must never send our dear children to a war again."

Like many other election campaigns in Japan, this one has been marked by the lack of debate over major economic or international issues. Indeed, candidates in sound trucks are now combing the city and countryside, repeating *only* their name, hypnotically, over and over again.

So far the *only* issue of the campaign has been tax reform, grumbled a major Tokyo daily yesterday morning stating: "If Japan ignores its role as a member of the international community and acts in a self-righteous manner, it will be digging its own grave."

The Premier, however, did not dwell on foreign relations, except to remind his listeners that he and Mr Reagan were good pals and *caution voters* that it was important to eliminate trade friction with the West "and gain a larger role in the international community as a result."

Currently, the ruling LDP holds 249 seats and needs to win 8 more to get a simple majority in the lower house.

The voters in Kofu, who listened quietly to their Premier, could provide few clues as to whether the LDP would achieve its goal. At the end of his speech, they cheered three times in unison . . . and went back to work.

AMERICAN NEWS

Slump in oil prices batters Trinidad's flagging economy

BY CANUTE JAMES RECENTLY IN PORT OF SPAIN

CALYPSO SINGERS in Trinidad and Tobago have a remarkable ability to capture in music the political and social mood of the country. Not surprisingly, politicians of both the ruling and opposition parties have read much into the popularity of a recent hit song which runs "Captain, the ship is sinking . . . shall we abandon ship . . . Captain, you tell us what to do."

The ship has been holed by the slump in international prices for oil, on which turns 90 per cent of the economy of this Caribbean republic of 1.1m people. If the ship does go down, it is likely to take with it the 30-year hegemony of the People's National Movement (PNM) and the administration of Prime Minister George Chambers.

"It is difficult for anyone to predict the effects on national income of the movement in prices," said Mr Trevor Boopsingh, Permanent Secretary in the Energy Ministry. "No one knows where the prices will reach, and whether they will recover."

Oil industry officials and some bankers have offered estimates between $540m and $750m for this year. Trinidad and Tobago used earnings from petroleum to build financial reserves to $3.16bn in 1982. The latest report from the central bank said reserves at the end of December had fallen to $960m.

Production of oil fell from a peak of 230,000 barrels per day (b/d) in 1978 to 159,000 b/d in 1983, but it recovered to an average of 176,000 b/d last year, 7 per cent better than 1984. The economy declined by 2.5 per cent last year, following a 6.3 per cent fall the year before. Local bankers say earlier forecasts of a 5 per cent fall this year now appear likely to be exceeded.

Mr Chambers who is also Finance Minister, appeared to have found part of the answer to some of the problems last December, when he devalued the Trinidad and Tobago dollar by 33.8 per cent to a rate of 3.60 to the US dollar. The Government expected this to increase oil earnings by TT$1bn ($277m) this year, following last year's earnings of $958m.

"The expectations were then well founded," said one banker, "but the fall in oil prices since then suggests that by year-end this windfall in Trinidad and Tobago dollars will have been wiped out."

There are a few options for the country's one-legged economy and none of them is capable of easing the current pain, with natural gas reserves of 22 trillion (million million) cu ft, and with domestic usage at 700m cu ft last year, the Government has been establishing gas fired petrochemical industries producing ammonia, methanol, urea and steel.

Although this sector has been growing, manufacturing accounts overall for only 10 per cent of gross domestic product. The sugar industry, which has survived only because of government subsidies to cover losses of about $650m over the past decade, is now aiming its production just for the domestic market.

By all indications, Mr Chambers may be forced to consider another devaluation before the end of the year—a possibility reinforced by statements from junior ministers that the Government had contemplated a depreciation as high as 40 per cent last December.

If the Government is forced into this, political considerations are likely to play a part in the timing and level of the devaluation. The Government's political stock, already on the decline, has suffered from the devaluation. A general election is due constitutionally in ten months. But Mr Chambers can bring this forward if he feels the need to lower the value of the currency again.

Prime Minister Chambers—another devaluation possible

"The latest samplings do not show any fundamental departure from the findings of the last polls," said Dr Selwyn Ryan, a political analyst. Earlier polls had suggested that the opposition National Alliance for Reconstruction (NAR) had 59 per cent of voters' support against 17 per cent for the ruling party.

PNM officials argue, however, that while there was "understandable frustration" at the economic situation, there was also a "clear acceptance" that it was not the Government's fault, but due to factors such as oil prices, over which it had no control.

"In any election, the PNM will have on record its economic achievements over the past decade, and the fact that for the past 30 years it has been a Government and party which has brought political stability and economic growth to this country," said one official.

But Mr A. N. R. Robinson, leader of the NAR, claims that the Government's fall in popularity is a result of its loss of credibility in dealing with repeated charges of corruption and extravagance in the use of public funds.

"The problem with oil represents a disaster for the Government," Mr Robinson said. "It faces a really difficult situation and it will be a miracle if it survives a general election."

Opposition parties, especially coalitions like the four-party NAR, have never fared well against the PNM. Political analyst Dr Ryan said the ruling party has survived because of the personality of Dr Eric Williams, the late Prime Minister and founder of the party, and also thanks to the economic benefits from high oil prices in the 1970s.

"The NAR has a good chance in the election. It will not collapse before then, although one must admit that, as in soccer there is the possibility of it kicking the ball into its own net," he said.

If he were elected, Mr Robinson said, he would implement a programme of political and economic reform based on clean government, public accountability, and diversification of the state's 60 per cent control of the economy through large state enterprises, and the promotion of agro-industry and tourism.

He admitted, however, that dealing with the fundamental issue of the impact of oil on the economy would not be easy.

Deepening economic crisis in Costa Rica

LESS THAN two months after former President Luis Alberto Monge declared Costa Rica in good financial health, this small Central American country finds itself sinking deeper into a financial quagmire, AP reports from San José.

The Christian Democrat administration of President Oscar Arias faces an estimated shortage of $120m in foreign exchange, forcing delays in scheduled repayments of the nation's $4.6bn (£3.1bn) foreign debt, one of the largest per capita in the Third World.

Mr Fernando Naranjo, the Finance Minister, was due to go to Washington this week to seek emergency financial help from the US, pending a new agreement with the International Monetary Fund which would offer long-term relief.

As a condition for a $60m loan, the IMF wants Costa Rica to reorganise its economy. It has told Costa Rica it must eliminate nearly 5,000 government jobs in this country of 2.5m people, and must reduce food subsidies from $25m to $8m a year, steps the previous administration was reluctant to take.

Lower subsidies would boost consumer prices, while eliminating government jobs would increase unemployment, officially pegged at about 6.7 per cent but estimated to be more than double that figure.

Riding on the outcome of the IMF negotiations is a $40m loan from the World Bank and $40m in loans and grants from the US Agency for International Development.

The World Bank and AID have approved the money in principle, but have held up disbursement until Costa Rica agrees to abide by the austerity demands of the monetary agency.

Commercial banks in the US and Europe, which hold more than $3bn of Costa Rica's debt, have been reluctant to extend payments and adjust interest rates unless the country adheres to IMF standards. Mr Eduardo Lizano, president of Costa Rica's central bank, said he agreed in principle with the austerity demands, but not with the timetable for imposing them.

Mr Lizano and other government officials fear that rapid implementation of the programme would create big social problems in a country that has been struggling economically since 1981, when it was on the verge of bankruptcy.

The new administration has vowed to cut the government payroll and sell state-run businesses to private buyers, if they can be found. But the welfare system is seen as sacrosanct, a programme that has helped Costa Rica achieve a record of social tranquility unknown to the rest of Central America.

AT & T deal rejected by unions

By Paul Taylor in New York

THE STRIKE by US telephone workers against American Telephone and Telegraph (AT & T) entered its fourth week after negotiators for six AT & T divisions failed to endorse a preliminary agreement reached a week ago between the company and the Communications Workers of America (CWA) representing 155,000 telephone employees.

That tentative agreement—provides for a national three-year contract including an 8 per cent wage rise over three years—is subject to approval by union negotiators at six AT & T operating divisions. Both sides had set a weekend deadline for agreement but agreed to continue negotiations past the deadline.

Negotiators representing 35,000 CWA members employed by AT & T's information systems divisions said the offer was unanimously rejected. Negotiators representing 76,000 CWA members in AT & T's long-distance telephone communications division also failed to reach agreement.

The main sticking point was apparently the provisions covering the technical, marketing and sales employees of the information systems division.

Senate likely to back tax reform

BY STEWART FLEMING IN WASHINGTON

THE US Senate is expected today to approve the most sweeping reform of the US tax system in the post-war period. A conference committee of the House of Representatives and the Senate will then convene to produce a compromise version of the strikingly different tax reform packages they will have passed.

On Capitol Hill it is widely expected that the bill in the Senate could be approved unanimously on a roll call vote. This would be testimony to the political impetus driving tax reform and to the success of the strategy of resisting amendments to the draft bill which the finance committee produced in May.

The privilege of a seat on the conference committee is a prize which will be fought over not least because some of the many compromises which have to be reached are big ones whose resolution will affect the extent to which Democrats and Republicans can claim credit for the reform.

The House and Senate versions of the bill differ significantly, although both are designed to simplify the tax system, reduce wealthy tax payers' scope for using shelters to avoid paying tax and diminish the extent to which the tax code favours one form of business activity over another.

The House Bill is more populist, with four individual tax rates ranging from 15 per cent for those on lower income to 38 per cent for the wealthy. The Senate bill has only two rates —15 per cent and 27 per cent— and has been criticised as too generous to the rich. The House Bill would put a bigger tax burden on companies, raising an estimated $140bn (£93bn) over five years while the Senate version would add about $100bn to corporate America's tax bill.

Politically, there can be little doubt that the biggest winner on tax reform is President Ronald Reagan. He managed to steal an important issue from the Democrats by making it a top political priority after his re-election. It was the Democrat Senator, Bill Bradley, who had been the staunchest advocate of a simplified tax code.

But the Democrats, with the November mid-term elections approaching, will fight bitterly in the conference committee to put their own stamp on the bill that finally emerges.

● Mr James Baker, the Treasury Secretary, said yesterday he backed a bill proposing no tax code changes in the next five years if fundamental tax reforms was passed in Congress, Reuter adds.

"I think it would be a very, very salutary thing if we could stop tampering with the tax code, particularly if we get fundamental reform," he said in an NBC interview.

Inland Steel nears accord with union

BY PAUL TAYLOR IN NEW YORK

INLAND STEEL, the fourth largest US steelmaker, and the United Steelworkers of America (USW) have reached tentative agreement on a three-year labour contract that would freeze wages and reduce benefits by 40 cents an hour. In exchange, Inland Steel's workforce would receive profit-sharing and improved seniority and pension schemes.

The proposed agreement, the fourth of six with large US steelmakers this year, must be approved by 14,000 steelworkers before the present contract expires on August 1. Among other big US steelmakers, LTV and National Steel have already signed concessionary wage deals with the USW. Bethlehem Steel has proposed an agreement with its 30,000 workers which calls for benefit cuts of around $2 an hour in return for profit and stock-sharing plans.

Inland Steel's proposal would reduce hourly wage costs to around $21.59, the same as LTV's new wage rates but below the $22.21 agreed by National and the $22.50 an hour proposed by Bethlehem.

The preliminary deal, which will first go before the union's executive board, appears to be a significant retreat for Inland from its initial demands. The Chicago-based group had originally sought wage and benefit reductions totalling about $2 an hour—a proposal firmly rejected by the USW.

The contract with Inland, which is expected to win quick approval, would uphold the non-wage provisions of earlier agreements with the nation's steelmakers and reaffirm the union's goal of recovering concessions through profit-sharing schemes and stock. It would also reinforce the union's aim of keeping wage and benefit rates at the main steelmakers roughly level.

US dismisses Nicaraguan peace initiative

THE US Government yesterday dismissed a Nicaraguan offer to sign a regional peace treaty as a predictable move aimed at delaying congressional approval of $100m in aid to US-backed rebels, AP reports from Washington.

The White House said the offer was a "nicely timed" effort to delay approval of the Administration's request for military aid to the Contra rebels opposing Nicaragua's Sandinista government. A vote on the aid is scheduled in the House on Wednesday.

Tobacco industry wins key liability case

By Paul Taylor in New York

US TOBACCO, a leading American snuff maker, won a key liability action when a federal court jury ruled that it was not responsible for the death of a 19-year-old boy who developed oral cancer after using its snuff from the age of 13. The $147m (£98m) damages suit was brought by the teenager's mother.

The court ruling is the third recent victory for the US tobacco industry in product liability suits

The case was widely considered one of the strongest ever brought against the industry, which has so far defended itself successfully against all the product liability suits it has faced.

Lawyers representing Mrs Ann Marsee tried to persuade the Oklahoma City jury that the company was negligent for not warning of possible health hazards, while US Tobacco argued that there was no conclusive evidence linking snuff to cancer.

The company, which dominates the smokeless tobacco market in the US and received about three quarters of its nearly $500m a year in revenues from such products, is believed to have spent about $15m on legal defence and political lobbying.

WORLD TRADE NEWS

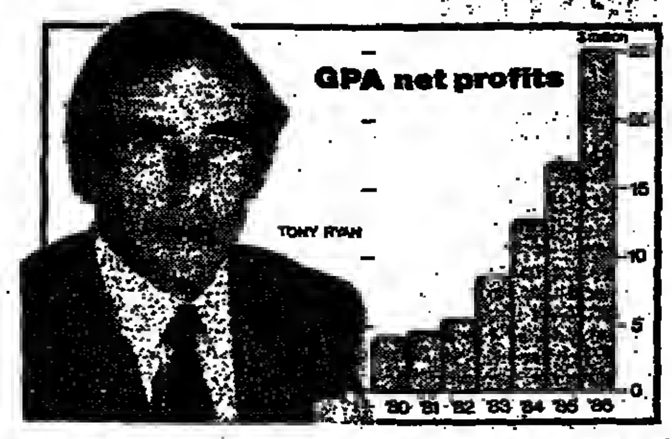
Hugh Carnegy in Dublin describes the background to one of Boeing's largest orders

Irish aircraft entrepreneur spots the gap

MOST AMERICANS who visit County Clare in western Ireland come for the breathtaking scenery along its Atlantic coastline: not so Mr T. Wilson, chairman of Boeing, who flew in to Shannon airport in the bucketing rain last Friday.

He came to hear the announcement by the GPA group of one of the largest-ever orders for civil aircraft. His presence, at the right hand of Mr Tony Ryan, the GPA chairman, confirmed, if any confirmation was needed, the lofty position reached by the Shannon-based aircraft leasing company in its 11 years of existence.

Its order for 51 Boeing 737-300s, 30 Boeing 737-400s and 15 McDonnell Douglas MD-83s, with options on 10 more MD-80s, was as spectacular as the scenery. Worth $2.75bn (£1.83bn) including engines, the medium-range, twin-jet aircraft carrying up to about 150 passengers will almost double GPA's portfolio of jet airliners to 187 over the next five years. GPA, already an important Boeing buyer will be the main launch customer for the Seattle-based company's new 737-400.



GPA, then known as Guinness Peat Aviation, was launched in 1975 with one airliner and capital of just $50,000. The force behind it was Mr Ryan, now 50, a former Aer Lingus executive, who, in the best tradition of the entrepreneur, spotted a market trend and decided to pursue it.

He saw a growing demand among the world's airlines for a service offering brokerage and leasing of aircraft. The latter business has blossomed, with GPA becoming the world leader, mainly running "operating leases" under which it purchases aircraft and rents them to airlines on leases of three to seven years. "GPA is a store where the customer comes in and picks what he wants," says Mr Ryan.

The cost and risk-reducing attractions of off-balance sheet leasing are such that Mr Wilson said leasing had become "a way of life." GPA's customers range from Trans World Airlines and Scandinavian Airline Services, through Air Zimbabwe and Air Jamaica to People Express and Britain's Monarch Airlines.

Initially GPA, whose original major shareholders were Guinness Peat, the merchant bank, and Aer Lingus, found most of its clients in Africa, Asia and South America. The typical deal was a so-called "wet" lease under which GPA provided full operational support, including pilots, engineers and maintenance, through its subsidiary Air Tara.

As leasing has grown, fuelled partly by deregulation in the US, so has the demand from bigger airlines for "dry" leases without operational backup. Some 60 per cent of GPA leases are now with airlines from Europe and the Americas.

Apart from these services, GPA has a number of companies offering remarketing, procurement, valuation and technical services. Since 1984, it has had a joint venture with McDonnell Douglas called Irish Aerospace Limited, which places McDonnell Douglas aircraft on operating lease.

Expansion took off after 1980 when Air Canada became an equal shareholder with Guinness Peat and Aer Lingus. By now the company had decided to concentrate on short- to medium-range, 150-seater type airliners where it saw the greatest demand. Profits grew to just over $25m in the year to the end of March, 1986 when average assets topped $300m.

But to back the kind of quantum leap announced on Friday, GPA needed a much bigger financial base. This was achieved in April when $125m was raised in a private equity placing with Japanese, American and British institutions, boosting the company's equity base to around $190m.

The offering was several times oversubscribed. "We could have taken in $300m to $400m from Japanese investors alone," said Mr Ryan.

GPA's corporate ownership is now roughly one third European, one third Japanese and one third American. The biggest shareholder, with 26 per cent, is Air Canada. Others include Mitsubishi Corporation, the long-term Credit Bank of Japan, the Prudential insurance company of the US and General Electric Corporation of the US. Mr Ryan has a 9 per cent stake and 3 per cent is held by GPA's 120 employees.

It is a measure of the company's confidence that while it has not yet secured customers for the 96 new jets just ordered, it is already in negotiation with both Fokker of the Netherlands and Airbus Industrie, the European consortium, for an unspecified further number of aircraft, respectively the F-100 twin jet and A320 twin jet airliners.

Mr Ryan also said GPA would almost certainly want to buy the new Boeing 7J7 when it becomes available. He plans to build the GPA fleet to 250 aircraft by the early 1990s, so as to take 20 per cent of the leasing market, which in turn GPA expects to account for 20 per cent of the world's commercial airliners. In aircraft numbers, that would put GPA on a par with some of the biggest airlines.

Financing this growth will be done through bank lending and equity. "We are currently negotiating very large extensions to those facilities. Some of our new shareholders have very substantial financial resources behind them," said Mr Ryan.

It may have been dismally grew outside GPA headquarters at Shannon on Friday, but inside the ambition and optimism was dazzling.

Brazil trade draft omits to mention services

By William Dullforce in Geneva

BRAZIL yesterday submitted to the committee preparing for new international trade negotiations a draft declaration for trade ministers that omits any mention of trade in services which the US insists must form part of the new round.

The omission of services from the Brazilian draft implies that the issue is still very much alive, although it has not so far figured prominently in the committee preparing for talks under the General Agreement on Tariffs and Trade (Gatt).

A Brazilian official said the draft, amended at the weekend after obtaining only a lukewarm reception on Friday at a meeting of developing country representatives, was backed by 10 countries including India, Argentina, Cuba and Nigeria.

More developing countries were expected to sign it after diplomats in Geneva had consulted their governments, the official said.

The Brazilian document is a response to the draft prepared by nine industrialised countries—Australia, Canada and New Zealand plus the six of the European Free Trade Association—which lists services, intellectual property rights and investment among items for negotiation.

The committee has been working since January against a mid-July deadline to produce a declaration to be adopted by trade ministers at a meeting in Punta del Este, Uruguay, on September 15 to launch the new round of talks.

The changes introduced at the weekend to the original Brazilian draft expand on the need for the negotiations to ensure greater trade benefits for developing countries but they also introduce much less reserved wording on the launching of negotiations.

Talks on trade in goods should start as soon as participating countries' commitments to observe a standstill on, and rollback of, protectionist measures have become effective.

The discussions in the preparatory committee, which is meeting this week, are not likely to conclude before the second week of July.

China's tough import curbs add to tension with Japan

BY ROBERT THOMSON IN PEKING

CHINA'S tough import restrictions have further contributed to trade tension with Japan, which has reported a 61 per cent drop in vehicle exports and a 50 per cent fall in electrical appliance exports to China compared with last year.

Chinese officials are still impatient with Japanese attempts to reduce a trade surplus of $6bn (£4bn) in Japan's favour last year and have apparently been pressing the Japanese government to set targets for imports of Chinese products.

Meanwhile, bilateral trade to the end of May has fallen 9.2 per cent on last year, with China's imports from Japan down 21 per cent and China's exports falling from $2.7bn to $2.5bn, according to Japanese customs figures.

The most striking fall has been in China's exports of crude oil, which were down 66.5 per cent during May compared with the same month last year. At the end of May, Japan's trade surplus had reached $1.3bn.

The turnround in trade has been dramatic. Last year, Japan recorded a 150 per cent increase in vehicle exports and a 140 per cent increase in electrical appliance exports, while total exports rose 72.9 per cent. The only notable increase in exports this year has been in general machines, which have risen in value by 8.7 per cent.

China last month presented a 163-member Japanese trade delegation, the largest to visit Peking, with a list of three areas needing attention to improve access to Japanese markets: tariffs, import quotas and the tough quarantine system.

Peking is still putting pressure on Japan to increase investment in China while the Japanese maintain that Singapore, Taiwan, and South Korea are far more attractive propositions. From 1979, when China opened its doors, until the beginning of this year, only 126 Japanese joint ventures were established.

Kenya tries to reassure foreign investors

By Mary Anne Fitzgerald in Nairobi

KENYA has backtracked on a recent statement that signalled a curb on foreign business activity.

Last week Mr Simeon Nyachae, chief secretary and a close associate of President Daniel arap Moi, gave a reassurance that the government policy of transferring control of the economy into Kenyan hands would not contravene existing guarantees for foreign investment.

"There is no ground or justification whatsoever for investors . . . to harbour unannounced fears as to the future security of their investments," he said.

Mr Nyachae was seeking to dampen speculation that arose following a speech by Mr Moi 10 days earlier when he said that "from now onwards Kenyans must own 51 per cent or more shares of any joint ventures."

The Kenya branch of Schenker and Co of Frankfurt has, however, confirmed it has received a letter from the Commissioner of Customs in early June giving it the option of according majority shareholding to Kenyans.

Philips plans joint venture in Taiwan

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, plans to set up a joint venture with Taiwan Fluorescent Lamp Company for the manufacture of energy-efficient lamps for the Taiwanese market.

The venture will be 51 per cent-owned by Philips, which will provide management expertise and 49 per cent by Taiwan Fluorescent Lamp, which will contribute local manufacturing expertise.

Production will include high-pressure mercury and sodium lamps. The Taiwanese lighting market is estimated at Fl 150m (£39.6m) a year.

Philips also is to take a 12 per cent stake in Taiwan Fluorescent, which is Taiwan's leading producer of lighting equipment. Philips is the world's largest maker of light bulbs and lighting equipment.

The Dutch company is engaged in a long-term effort to shift more of its overall manufacturing to the Far East, where production costs are lower. Joint ventures in a microchip factory and compact disc plant in Taiwan have been concluded recently.

Cuba and UK agree contracts worth $15m

By Frank Gray

BRITISH AND Cuban trading interests have concluded about $15m (£10m) in contracts under the two countries' reciprocal trade agreement.

Details of the contracts, which centre on the export by Cuba of goods to the UK, were disclosed yesterday following the recent return of a 36-member UK trade mission to Cuba. The mission was led by Lord Selsdon, senior financial advisor to the Midland Bank, and representatives of Goodwood UK, a Jersey-based trading company set up to implement the British side of the accord.

Under a memorandum signed in Havana earlier this month the UK has agreed to buy $6m in Cuban oil for sale on the open market; $4m of naphtha and $2m of steel. British exports under the accord total £1.84m of manufactured goods.

The Cubans are understood to have available in the short-term substantial supplies of seafood and agricultural goods, such as cocoa butter, grapefruit and mango and large supplies of marble. Its first consignment of Cuban rum, 20,000 litres, to be bottled by Invergordon distilleries of Scotland, is being prepared for shipment.

E. German shipbuilding is booming

By Leslie Colitt in Berlin

EAST GERMANY'S booming shipyards are this year expected to launch more ocean-going vessels than West German yards.

The five main East German shipyards on the Baltic Sea will complete 66 ships this year worth more than EM5bn. About 70 per cent of them are bound for the Soviet Union which has filled the order books of East German shipyards up to 1992.

West Germany, like other West European countries, is undergoing a radical contraction of its shipbuilding.

Orders have plunged in the first part of this year and less than 50 per cent of capacity is expected to be used in the second half. The West German industry employs only 40,000 workers, against 65,000 four years ago, while in East Germany the number of shipyard workers has risen by 2,000 in the past two years to 58,000.

Virtually the entire East German shipbuilding industry has been created since 1945 to supply the Soviet Union with factory fishing vessels, freighters and river passenger boats. Thus the Volkswerft in Stralsund is the world's leading producer of the large fishing ships.

The East German shipbuilders, however, say they face increasingly tough negotiations with the Soviet Union which wants the latest Western standard equipment at the old prices.

Poland, Eastern Europe's second largest shipbuilder, is undergoing a shift back to reliance on the Soviet Union for orders in the wake of plummeting western demand.

Eight bulk carriers for the Polish steamship company have been ordered from Turkey and seven bulk cargo ships were completed in Argentina because of delivery problems in Poland. Unlike the East German shipbuilding industry which manufactures nearly all the ancillary equipment it needs, including electronics, about 25 per cent of the content of Polish ships is imported from the West.

Government to press for use of unleaded petrol

BY JOHN GRIFFITH

THE UK Government will use compulsion if necessary to ensure that a network of petrol stations offering unleaded petrol is in operation next year, the Department of the Environment said yesterday.

It presented provisions for "at least a marginal" network of unleaded petrol stations as being part of a package to encourage the introduction of unleaded petrol well ahead of an EEC target date of 1989.

But both the petroleum and motor industries, those most closely affected, made clear last night that they had largely anticipated the measures and that they would have little practical effect on actions already under way.

Presuming the "marginal" network is set up next year, it will still leave the UK behind some other European countries such as West Germany, Austria and Switzerland, where unleaded petrol is already widely available.

It has long been accepted that lead in petrol is a health hazard. An EEC directive, inspired by the UK, was adopted last year to require unleaded petrol to be generally available throughout the Community by October 1989 at the latest.

It is linked to another directive requiring various categories of new cars to use unleaded petrol starting in October 1988. This directive, which embraces all pollution emission by cars, has yet to be adopted because of reservations by Denmark and Greece.

The Department of the Environment said that, as soon as it was, the UK would implement it on the earliest specified dates.

Both Ford and Austin Rover said that their new cars would be capable of running on unleaded fuel by those dates. "It is what everyone has been planning for," said Austin Rover.

Weaker economic growth indicated

By George Graham

FURTHER cautious signals on the direction of the British economy emerged yesterday as the Government's Central Statistical Office (CSO) published its cyclical indicators which suggest weaker economic growth in store.

The cyclical indicators have for some years presented only confusing signals. But the CSO said yesterday that the decline in its shorter leading index, which is meant to indicate turning points in the economy about six months in advance, was becoming more firmly based.

The CSO said, however, that the two leading indices did not show whether the present pattern of weaker economic growth would become established or was likely to be only a short-term development.

The latest Confederation of British Industry survey, also published yesterday, presented n similarly cautious picture of the UK's economic prospects. But Mr Nigel Lawson, the Chancellor of the Exchequer, said last week that there was every reason to believe the lull in activity would soon come to an end.

The coincident and lagging indices are confirming n flattening in the economy over recent months. The longer leading indicator, which is meant to indicate economic turning points about a year in advance, showed a slight decline.

Cyclical indicators do not measure absolute levels of economic activity but are intended to capture changes in trend. However, because many of the components are themselves indicators of past economic activity, the indices often simply confirm the messages of already published economic statistics.

Call for expansionist strategy, Page 8

LABOUR PARTY TO CONSIDER NOVEL PROPOSALS

State ownership policy planned

BY DAVID THOMAS, LABOUR STAFF

THE OPPOSITION Labour Party is considering a report which backs a considerable programme of public ownership by n future Labour government.

The report, called Social Ownership – n Vision for the 1990s, was produced by a working party chaired by Mr John Smith, Labour's trade and industry spokesman. It will be considered by the party's national executive next month and then go before the annual conference in the autumn.

The report, still in draft form but near completion, explicitly reaffirms Labour's Clause Four; the clause in Labour's constitution which backs public ownership.

At the same time, it makes clear that Labour does not support nationalisation of the old kind and it produces the most radical reconsideration of public ownership from within the Labour movement since the post-war nationalisations under the Attlee administration.

Many of the novel proposals in the report are designed to meet the arguments given prominence by the Conservative Government's privatisation programme that public ownership has been bad for consumers and that employees have lacked a real stake in publicly owned industries.

The report suggests that immediately on taking office, n Labour government should use whatever means are open to it, such as minority shareholdings and regulatory powers, to influence the behaviour of companies to be taken back into public ownership.

It also contains explicit commitments to bring back into public ownership British Telecom, British Gas, the water authorities and defence-related industries such as the Royal Dockyards and the Royal Ordnance arms and munitions factories.

It suggests that the Government would have to re-acquire the vast majority, if not all, of the shares in a company such as British Telecom to exercise effective control.

Shareholdings held by non-employees in privatised companies to be taken back into public ownership would be converted into non-voting bonds. Labour is considering a range of options for how to do this.

Under the report's proposals, Labour would extend the shareholdings which employees have been given through privatisation

Labour is likely to set up consumer bodies with powers to influence the services of publicly owned industries, to give rights to a specified level of service and to allow consumers to elect representatives to national boards.

Gas flotation, Page 10

Losses in union members slow

By Our Labour Editor

THE FALL in UK trade union membership, mainly due to the impact of unemployment, is slowing markedly, according to figures given to Trades Union Congress (TUC) leaders yesterday. But the level of unionisation in Britain is still falling.

The TUC's "inner cabinet," the finance and general purposes committee, was told yesterday that TUC affiliated membership fell in the year to end-1985 by 274,702 – n drop of 2.8 per cent – to 9,580,502.

This is a much lower decrease than in recent years. There have been annual falls of about ½m since the turn of the decade. Union leaders are likely at tomorrow's TUC general council to proclaim this as significant for UK trade unionism's future health.

The figure, however, does represent a further fall in the unionisation level – TUC members as a proportion of employees in employment.

Offer to underwriters in Fidentia settlement

BY JOHN MOORE

ONE THOUSAND underwriting members of the Lloyd's London insurance market are being offered a significant part of £6.25m of their funds which disappeared.

Settlement in a dispute over the funds has been gained after Lloyd's launched disciplinary proceedings against Mr Raymond Brooks and Mr Terence Dooley, two founders of the Brooks & Dooley underwriting agency which managed the affairs of the underwriting members.

Lloyd's found that Mr Brooks and Mr Dooley had arranged business with the Fidentia Marine Insurance Company of Bermuda, which they both controlled. The schemes were designed to provide financial benefit to the Fidentia at the expense of the underwriting members whose affairs the two men supervised.

Lloyd's established that Fidentia gained a net £6.2m through business channelled to it from Lloyd's insurance syndicates into which the underwriting members were grouped. No disclosure of the conflict of interest was made to the members. Mr Raymond Brooks was expelled from Lloyd's.

After delicate negotiations by representatives of the underwriting members with Mr Brooks, the underwriting members are to receive £2m. The overall package could be rather more as Fidentia has already paid out insurance claims which exceed premiums of £1.4m and n further £1.6m is due to be paid out to meet insurance claims in the normal course of trading.

Mr Brooks, now based in Milan, has been assisting in the recovery of the money and is to receive $200,000 after the underwriting members have received $800,000 and another $200,000 share of insurance recoveries.

An offer has been made by the underwriting members' representatives for the payment across of the funds and requires up to 90 per cent acceptance by July 25.

Ford recruits 150 workers

By John Griffiths

FORD is recruiting more production employees for its Dagenham plant in Essex for the second time this year.

The decision to take on a further 150 workers is attributed by Ford to increased demand for the Sierra car and improved ability of the Dagenham workforce to meet production schedules.

The latest hirings follow a recruitment of 400 employees at the start of this year. Natural wastage since then means that when the latest 150 start work in August, employment in Dagenham's assembly, body and trim plants will have seen a net increase of 300 jobs, from 7,600 to 7,900.

The new intake is designed to raise output nt Dagenham by 80 cars a day to 1,080 Sierras will account for the entire increase.

At the start of this year, Dagenham was producing 550 Fiestas and 325 Sierras a day. The current number is 550 Fiestas and 450 Sierras.

Outsiders 'stealing' inner-city jobs

BY ROBIN PAULEY

FOREIGN WAITERS and suburban clerical workers will take most of the jobs created in Britain's deprived inner-cities unless local residents can be trained to staff the new developments themselves, Mr Kenneth Clarke, the Employment Minister, said yesterday.

Mr Clarke was outlining his latest ideas for the regeneration of the worst areas of urban deprivation and dereliction to Birmingham Chamber of Commerce. His ambitions are particularly for the black and Asian communities, which he believes need a middle clase.

Too much central and local government money in the inner cities has been concentrated on property problems rather than people problems, Mr Clarke said.

One result was that benefit from inner-city building projects in terms of cash and jobs went to people who had no inner city problems at all – the suburban employees of contractors who carried out the work.

To avoid this he hoped agreement was close with a major contractor to employ local labour on building projects in Handsworth, one of Birmingham's most deprived areas.

Handsworth is one of eight areas for which inner-city task forces were announced by the Government earlier this year. Mr Clarke hopes a similar approach to labour for building and refurbishment will be adopted in the other seven areas although he has no plans for contractual employment quotas.

Before work on the new Birmingham Convention Centre and hotel was completed agencies would be formed to recruit and train local staff for the jobs which would eventually be available.

"Otherwise foreign waiters and suburban clerical workers will steal the opportunities which millions of pounds of public investment were intended to provide for the people of the inner-cities," he said.

Britain raises share of world arms sales

BY DAVID BUCHAN

BRITAIN INCREASED its share of world arms export market from 7 per cent in 1984 to 9 per cent last year with sales totalling nearly £3bn, Mr George Younger, the secretary of state for defence, said yesterday. He was opening what he called the UK's "major shopwindow" to world arms buyers, the British Army Equipment Exhibition (BAEE) 86.

The performance of the UK defence industry in this competitive market was outstanding, he said. Britain ranked fourth in the world arms sales league, behind the US, the Soviet Union and France. Representatives from 75 countries are expected to attend BAEE 86, which will include a firepower and mobility demonstration on tank ranges in the South of England on Thursday.

But, as expected, Mr Younger scrapped what had orginally been expected to be the week major domestic contract announcement. This was the award to Royal Ordnance, the state arms manufacturer, of a £100m contract for 80 Challenger tanks. After last week's postponement of the privatisation of Royal Ordnance, this contract looks likely to go out to competitive tender between Royal Ordnance and Vickers.

The army had "a funded, operational requirement" for an additional, seventh regiment of Challenger tanks, according to General Sir Richard Vincent, the Master General of the Ordnance.

Competitive tendering, a new Ministry of Defence general priority that was at odds with the perceived need to increase Royal Ordnance's order book ahead of stock market flotation, should not cause undue delays, Gen Vincent said. But no firm decision had been taken.

Seeking to raise staff morale deflated by the privatisation postponement, Mr Roger Pinnington, Royal Ordnance's chief executive, said yesterday that he was confident of winning the new Challenger tank order, if it was opened to competition.

So speculation about the closure of Royal Ordnance's Leeds factory after it completed Challengers for the army's fifth and sixth tank regiments was "irrelevant," he said.

The newly-privatised Vickers Shipbuilding and Engineering also took advantage of the Aldershot exhibition to announce that it would be seeking a Stock Exchange listing towards the end of next month, under the name of VSEL (to distinguish it from Vickers Plc) and to unveil a new self-propelled 155m Howitzer, the AS 90. It hopes that this will compete for orders with and even possibly replace, the troubled SP 70 gun which Britain is building with West Germany and Italy.

Gen Vincent admitted that because of automatic ammunition handling problems, the tri-national SP 70 project was behind schedule and over budget, and the three countries' national armaments directors were considering getting other designs built as prototypes to give them a choice. The new VSEL gun might be appraised for possible purchase in this way, he suggested.

Treasury faces TUC pressure for an expansionist strategy

BY PHILIP BASSETT, LABOUR EDITOR

TRADES UNION Congress (TUC) leaders will today press the Treasury for an expansionist economic strategy in the first attempt the unions have ever mounted to influence directly public spending while the annual cycle of spending decisions is taking place.

Mr Norman Willis, TUC general secretary, and Mr Rodney Bickerstaffe, chairman of the TUC's economic committee, will lead a team to meet Mr John MacGregor, chief secretary to the Treasury. The meeting is aimed by the TUC to have an impact on the Public Expenditure Survey Committee (Pesc) planning for spending in the coming year.

A TUC policy paper to be put to the Treasury today calls for a "fundamental reappraisal" of the way public spending decisions are made. It seeks a form of social audit to complement the industrial audit of the TUC's forthcoming economic review.

The TUC says that "the Government's current debate between tax cuts or more public spending should be resolved in favour of more public spending", which would have a significant and immediate effect on economic growth, while tax cuts could have little effect and would cause further social inequalities.

It argues that the Government should abandon the Medium Term Financial Strategy, and replace it with a Medium Term Employment Strategy, which would progressively reflate demand, cutting unemployment and increasing public spending.

A programme to boost employment by 1m jobs over two years would increase public spending by about £4bn in the first year and by £9.8bn in the second.

About 35 per cent of the jobs would come from public investment, 27 per cent from public services, 29 per cent from special employment measures and the remainder from reductions in working time.

Costs of this strategy would be met by diverting resources from such areas as defence spending, from raising taxes – including those on high income earners – and increasing the level of government borrowing.

● TUC and Labour Party leaders are reaching broad agreement, with few dissensions, on a policy statement on future employment legislation which will be put to the two organisations' autumn annual conferences.

Strong statements of support for the joint document, People at Work: New Rights, New Responsibilities, came yesterday at the TUC-Labour Party liason committee from almost all senior figures on both sides of the labour movement. Notable exceptions were Mr Tony Benn and Mr Eric Heffer, Labour's leading left-wingers.

Instead of the proposed statement, they wanted more simply a complete repeal of the Conservative Government's legislation – in effect returning employment law to its pre-1979 position.

Mr Neil Kinnock, Labour's leader said that the paper provided a balance between trade union rights and responsibilities, and would make sure that employment law would not become the plaything either of the courts or the employers.

For the unions, Mr Willis acknowledged that the document – which includes provision for balloting in unions, among other changes – marked a shift in direction for the unions. Such a change was not easy to make, but it reflected demands from union members.

David Thomas writes: There could be a deal by the end of the year which would bring a reduction in the 39-hour working week in the engineering industry, a senior union leader said yesterday.

Mr Bill Jordan, president of the Amalgamated Engineering Union, was speaking on the eve of the annual conference of the Confederation of Shipbuilding and Engineering Unions which opens in Llandudno, Wales today.

There have been long-running negotiations between the unions and the Engineering Employers' Federation over the unions' claim for a shorter working week and the employers' counter-proposals for more flexible working.

Referring to the most recent round of pay negotiations, Mr Jordan said that there was now "no reason for pessimism." He added: "Our hopes are high. We are prepared for mutual concessions but we are not exchanging anything for jobs."

Conference centre built for £63m to be opened

BY FIONA THOMPSON

THE GOVERNMENT'S £63m conference centre in central London will be formally opened by the Queen today.

The Queen Elizabeth II conference centre, opposite Westminster Abbey and the Houses of Parliament, has been four years in the making and at least double that in the planning.

It has not been without controversy and was given the go-ahead only after a political row over whether it should be a private sector or state-run venture.

The Property Services Agency (PSA), which manages the Government's £10bn property estate, will run the centre. Designed by architects Powell, Moya and Partners, it has 330,000 sq ft of space on 10 levels and can cater for 2,000 people in the main conference halls.

Although designed primarily for international government meetings, the centre is also available for private hire. One conference suite, the Mountbatten, with capacity for 200 in round-table format, will be reserved for government use. The other rooms will be available for government or private hire.

First mooted by the Labour Government in 1978, the centre was then estimated to cost £15.25m. This had risen to £38.2m in 1982 when Mrs Margaret Thatcher's Cabinet decided to go ahead with the project.

A written parliamentary answer in November 1983 put the figure at £44m, one in January of this year stated £55.7m, and the current estimate is £62.93m.

In answer to Whitehall speculation that the venture could prove a major lossmaker, Mr Chris Edwards, PSA's conference business manager, claims there is not a single, pure conference centre worldwide that makes a profit. He is optimistic about the centre's prospects.

"Two years ago we estimated we would still be making a substantial loss four years after opening. Now we aim to be breaking even or with a much reduced loss in two years' time."

The PSA's hiring charges are, Mr Edwards says, "competitive market rates, at the top end of the market, which will help us reduce the operating deficit." He says that the rates are commensurate with the facilities. These include a communications network with a system for handling 12 channels of simultaneous translation, closed circuit television that can broadcast to 150 monitor screens throughout the building, and radio and television studios.

The Churchill Auditorium, which will seat up to 880, rents at £3,000 for an 8.30am to 6pm day. The Fleming Room and Whittle Room can be linked to provide seating for 1,200 delegates at a cost of £4,800.

Kellogg plans biggest investment in UK

BY CHRISTOPHER PARKES

KELLOGG, the world's leading breakfast cereal maker, is to spend more than £80m on re-equipping and extending its main UK factory at Trafford Park, Manchester.

The decision represents the biggest investment the Michigan-based company has made in the UK since it set up in Manchester in 1938, and the most important development since it started building its works in Wrexham, North Wales, in 1978.

While providing space for new products and more modern equipment, the investment will not necessarily lead to more job vacancies. The company said yesterday that it had already told its UK workforce of about 2,300 to expect a gradual reduction in jobs over the next few years through wastage and voluntary redundancies.

Britain represents one of Kellogg's most successful overseas ventures. UK annual consumption of ready-to-eat cereals is already higher than in the US at more than 6.5 kg a head compared with just over 4 kg. Sales are increasing steadily as the company plays heavily in its advertising on the "healthy" fibre and nutritional content of its products.

The company has almost 60 per cent of the British market compared with 39 per cent in the US. Kellogg also has a 50 per cent share in West Germany and France and 65 per cent in Italy, although it has much to do to change eating habits in continental Europe. The average West German, for example, eats less than 500 grams of cereal a year.

Manchester and Wrexham represent an important European base for Kellogg. They are used mainly to supply the British and Irish markets, and although the company has factories on the Continent, it uses its UK facilities as a source of new products for testing in the wider EEC market before installing new plant in continental Europe.

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UK NEWS

Gas sell-off set to dwarf other state asset sales

BY LUCY KELLAWAY

THE PRIVATISATION of British Gas in November is likely to raise, in one swoop on the market, about as much as the £6bn which the Government achieved in the first six years of its programme of state asset sales.

British Gas could be worth more than British Telecom, Cable & Wireless, Jaguar, Britoil and all the others put together.

The sale of British Gas is expected to put the Government well on the way to meeting its ambitious privatisation targets, which require it to raise £14.25bn in the three years up to 1988–89.

British Gas, which is estimated to be worth £8bn, will fill more than half of that quota, with payment staggered over the three financial years. A partly paid sale of shares could raise between £5m and £8m, with a further £2.5bn to be recovered as British Gas repays the debt created at the time of flotation.

A successful flotation of British Gas is therefore of great importance to the Government in view of its recent difficulties over plans to sell off British Airways and the Royal Ordnance arms and munitions factories, and arguments over the best way to privatise the water authorities.

Moreover, the scale and the substance of the privatisation programme is creating unease in the City of London. Some are worried that the planned weight of government issues may have a depressing effect on the whole market.

Others doubt the attractions of the companies up for sale. They argue that in order to attract a wide enough interest to absorb such huge issues, the prices will have to be set artificially low.

"We are now getting down to the ropey stuff," says Mr Nicholas Knight of stockbrokers James Capel. He argues that, unlike Jaguar, Cable & Wireless or Amersham International, there is no glamour involved in these issues. "British Gas is a big boring energy utility, whereas at least British Telecom had high-tech bits to get excited about."

If the Government is to meet its targets, it must hurry. Privatising mighty monopolies just before a general election will be difficult, with the Labour Party promising a swift renationalisation drive, or threatening to overhaul legislation regulating private monopolies.

One consequence of this, according to some observers, is that the Government is selling even the largest companies in one slice – instead of in a series of tranches, as with earlier large issues – to make it harder for a future Labour Government to reverse the process.

So far, it has done well out of selling its stake gradually. A tendency to underprice the first slice combined with a rising market has meant that in most cases (with the spectacular exception of Britoil) later tranches have been sold at much higher prices.

This would not be the case in a bear market – although if the market really did turn sour it might not be possible to proceed with the sales at all.

Even against an acquiescent market background, there have been no shortage of reasons for delays and cancellations. British Airways should have made its passage into private hands last year, but was prevented by lawsuits surrounding the collapse of Laker Airways. A second launch was planned for this summer but has been postponed because of US anti-trust legislation.

The Government is now trying to squash this sale into the early part of next year, although it may prove difficult to find it a space among the other issues. The delay may have cost a good deal; air traffic is starting to turn down and the company is short of cash and is beginning to look less attractive as an investment.

Royal Ordnance, which was due to be privatised in the middle of next month, had its plans overturned at the last minute. It was decided last week, after nearly 18 months' effort in preparing for privatisation, that it was still not in a strong enough commercial position to make a successful flotation. The Government is expected to try to sell the factories, which might have fetched £150m on the stock market, in a series of private sales.

The privatisation of the water authorities is likely to be the most difficult yet. The Labour Party has committed itself to fight vigorously the water bill due to come before Parliament in the autumn. Any delay in the legislation could be fatal.

Even if many of the planned issues are put on ice, the Government will be able to meet its financial targets through the sales of its remaining stakes in British Telecom and BP, which are now worth £6.5bn and £2.5bn respectively.

In the longer term, the Government would almost certainly need to privatise the electricity industry if it were to keep to the target suggested in its latest medium-term financial strategy of raising £4¾bn a year for the rest of the decade. Its assets could be worth about £30bn.

PRIVATISATIONS SINCE 1979

Company	Date	Means of sale	Proceeds £m
British Aerospace	Feb 1981	offer 51.6%	43
Cable & Wireless	Oct 1981	offer 49.4%	182
Amersham Int'l	Feb 1982	offer 100%	64
National Freight	Feb 1982	management buy-out	5
Britoil	Nov 1982	tender 51%	627
Associated Brit Ports	Feb 1983	offer 51.5%	46
International Aeradio	Mar 1983	private sale	60
BR Hotels	Mar 1983	private sale	51
Cable & Wireless	Dec 1983	tender 27.9%	263
Brit Gas Onshore Oil (Wytch Farm)	May 1984	private sale	82
Associated Brit Ports	Apr 1984	tender 48.5%	51
Enterprise Oil	Jun 1984	tender 100%	380
Sealink	Jul 1984	private sale	66
Jaguar	Jul 1984	offer 100%	297
British Telecom	Nov 1984	offer 50.2%	3,916
British Aerospace	Apr 1985	offer 49.4%	350
Britoil	Jul 1985	offer 48.9%	450
Cable & Wireless	Dec 1985	offer 23.1%	600
Planned privatisations			
British Gas	Nov 1986	offer 100%	5,000–6,000
Short Bros	1986–87	?	50
BL – various subs	1986–87	?	300–500
Rolls-Royce	early 1987		400
Brit Airports Authority	early 1987		500
Thames Water	late 1987		1,000
Other water authorities	1987–88		+1,500?
British Airways	1987–88		1,000

Other possible sales: remaining stake in BP, 49.8% stake in British Telecom, electricity industry.

THE ARTS

London Galleries/William Packer

Parallel paths to manifest excellence

What a relief it is, to say nothing of the pleasure, to come upon the current work of artists who are neither young nor old; neither especially famous and secure in reputation nor particularly obscure; not at all old-fashioned and set in what they do and not fiercely *engagé* and avant-garde; but simply in mid-career and full possession of mature authority and power. There are not special pleas to enter, no issues to raise other than the manifest excellence of the work.

Michael Andrews (at Anthony d'Offay, 23 Dering Street, W1, until July 4) and Victor Willing (at the Whitechapel Gallery until July 20) are of an age, both born in 1928, and they were at the Slade together in the early 1950s. Even now their work, each in its various and subtle way, declares something of that common schooling, for the Slade, rather more than most such schools, seems to leave an indelible, if faded, mark upon its products. Both these artists enjoyed some early notice as the coming men of their generation, young painters worth following.

But their subsequent careers have taken separate courses and such similarities need not be pushed too far. Andrews's has been the steadier and more consistent development, though the appearance is deceptive, for a naturally slow working practice, frequently using the largest scale, has tended to stretch things out a bit. With that work being often committed long before it leaves the easel, and with the need to show it therefore somewhat less than pressing, the interval between his exhibitions has always been extended.

In such circumstances it is a natural temptation, for artist and dealer alike, when at last enough of it has come together, to show the work in a related and coherent batch. The effect is to emphasise subjectmatter at the expense of other more formal and technical considerations and perhaps to emphasise changes that are more apparent than real. This is only Andrews' fifth public solo show since 1958 — not counting his large Arts Council retrospective of 1980—and his third with d'Offay in 12 years.

Valley of the Winds, Katatjuta (The Olgas), by Michael Andrews, at Afnony D'Offay Gallery

It is devoted entirely to the paintings and water colour studies he has made of the extraordinary Ayer's Rock and the nearby group of lesser hills, the Olgas, in central Australia, which he first visited just under 3 years ago. Five huge paintings dominate the gallery, with the studies together at the rear, and the whole lot presents us with images of astonishing force. It is hardly surprising that this should be so with a canvas of 14 feet by eight, for example, but rather more so that studies only a few inches in extent should convey the vast spaces of the desert and the immense presence of the Rock.

But the interest and visual excitement of the imagery itself, with the ambiguous hints it carries of a positively human, sometimes specifically female physicality, are only half the story, for as we move in closer to these canvasses, we begin to be more intrigued by what is happening on their surface. It is by the disarmingly deft control of his material, that flick of the wrist and eye that is a very English way of showing off, at once modest and bravura, that Andrews is most consistent.

Acrylic paint sweeps across the canvas in a rich flood, throwing down a variegated and colourful sediment as it is teased into shape and space, its chance qualities modified and exploited, drawn and worked into before it dries. In the past Andrews has made much use of secondary material for his reference, working up figures, landscapes, buildings and gardens from photographs, and with photo-realism all the rage and his own spray-gun cocked it was easy to assume he had joined the club.

But Andrews has never been a realist, photo or otherwise, in any passive and accepting way, concerned merely to restate the given image. Always much freer in the act of painting than at times he has appeared, taking the calculated risk even within the constraints of spray and stencil, he is at heart a true expressionist, if of a peculiarly wry, civilised and most accomplished sort. It is always the mark that fires the imagination, not the image. He has done nothing better than these new paintings.

*

Victor Willing's course has been the more erratic. Indeed, though married to a painter, Paula Rego, who has won a considerable reputation for herself, he virtually gave up painting when he went to live with her in Portugal and it was not to be for nearly 20 years, after he returned to live in England in 1974, that he began to work seriously again.

After such an interval we should hardly expect to discover any superficial continuity in the work, and so it is with this retrospective at the Whitechapel. Willing has been working these 10 years past with a wonderful, sometimes almost desperate energy, which has supplied the mass of the work on show, huge canvas upon huge canvas, all with its very clear character and consistency of preoccupation. And yet the small group of early work from his time at the Slade and a little after, that begins the show, while fascinating in itself, is more so for the prescience of what was to come so much later.

Again it is form rather than image that gives us the clue. Willing's imagery in all this later work is the stuff of dream if not quite of nightmare — fantastical, hallucinatory, surreal. There are no figures to engage us by association, only the bizarre furniture of the dream set out as on a stage for some nameless drama, perhaps to occupy Vladimir and Estragon in one of their more speculative moments.

Always there is a sense of nearness and enclosure, front-of-stage, with walls and screens to shut off the distance. A boat in full sail sits in the middle of a green room; a basic tent occupies a low dais; trophies dangle from cross-beams; streamers billow above piles of boxes. All is most positively and directly stated, all of it quite inexplicable.

Yet suddenly we are back in the life-room of the Slade in 1952, with the model standing alone in the centre of the studio, which we can see now to be that same clear, simple and enclosed space. Around her are those same ambiguous structures and equipment. We would have thought they were ordinary easels and studio stands. They are linked, however, by a length of string that loops behind her. The mat beneath her feet is her own little stage.

Falstaff/Geneva

Andrew Clark

There is so much of life and art in Verdi's *Falstaff* that its true character can prove elusive in the opera house, as indeterminable as the tunes that keep spilling from the score. The new Geneva production is one of the most successful I have seen, partly because the stage director Luigi Proietti and his designer Quirino Conti remain faithful to Verdi's music, and partly because the casting shows the same flair that distinguished almost every other production at the Grand Théâtre this season.

Proietti — one of Italy's more reputable Shakespearean actor-directors — had only two previous opera productions to his name, but the maturity, understanding and coherence which this staging breathed would put to shame many a more established opera producer. The visual atmosphere chosen by Proietti and Conti is loosely that of Rembrandt and Vermeer; but give or take a little Italian flavour, particularly in the exquisite outdoor terrace setting for the second scene, you could mistake any of the stage sets for late Tudor England in mid-summer. What this approach offers is a quaint, colourful simplicity, and a sympathetic background for the pulse of ensemble and the *projection of human foibles.*

The production does not make the mistake of treating *Falstaff* as opera buffa; and for this Ruggero Raimondi deserves much of the credit. It is Raimondi's debut in the title role. In other parts he has demonstrated some of the qualities required of a good Falstaff. I always found him more convincing in the low baritone than bass repertoire, and yet he can bring to a role like Falstaff all the richness and grace of a true *basso cantante.*

Raimondi the master of vocal nuance and the mischievous wide-eyed glance, is in his element as the fat knight—a tall, physically extravagant Sir John, who will in time master all the mannerisms of portliness. The vocal acting, from the bellow to the most honeyed pianissimo, is superb, and the portrayal, like the production, shows a nice sense of the ridiculous without having to play for laughs.

In his scene with Alice this Falstaff could convince us he was once a dandy and a charmer; but his best scenes were with Miss Quickly and Ford, where we see the vainglorious in Falstaff side-by-side with the naive. In the last act, the pace sagged slightly, but not at the expense of the balance that Verdi's *Falstaff* treads between tragedy and generosity of spirit.

Barbara Bonney as Nannetta looked and sounded a golden teenage beauty, admirably partnered by Robert Gambill's Fenton. The Alice was Daniela Dessi, who showed some presence in spite of a frumpish costume, and whose voice possesses that hint of steel that marks her out for Verdi's more dramatic roles. Carmen Gonzalez as Miss Quickly was well-endowed in voice and manner, and *Alberto Rinaldi's* crisp, authoritative baritone was ideal for Ford.

Jeffrey Tate was criticised locally for allowing the orchestra to play too loud, but in a largish house he can be forgiven that; and the spirit and brio with which he propelled the performance, especially in the ensembles dominating the second part of each act, were more than compensation. The whole production represented an artistic achievement of the highest order.

The Lighthouse/Bracknell

Richard Fairman

In the six years since its premiere *The Lighthouse* has attracted wide attention. Unlike the expansive *Taverner*, which embraces musical and philosophical ideas of far-reaching diversity, this opera finds Maxwell Davies keeping to the chamber-music scale that he used so often in the past when writing for the Fires of London. It makes an ideal choice for small groups, as Saturday night's successful production at the Wilde Theatre, Bracknell showed.

Not only the number of performers is small. This is a work which sets for itself parameters of every kind. It lasts barely 75 minutes; it inhabits (essentially) just one setting; and its dramatic material, telling the story of three lighthouse keepers who disappeared in mysterious circumstances, continually looks inwards, exploring hidden feelings of guilt and repression to explain events that might have had a simple, external cause.

The opera's strength comes from the way it fills its chosen ground with fertile ideas. All manner of sinister influences are brought to bear on the simple plot and Maxwell Davies' own libretto is not, it must be said, very subtle in this respect. (Some ghosts, a fog, a game with tarot cards and a sea beast are all thrown into the cooking pot.) But the end result is neither too obvious nor too puzzling a scenario to lose plausibility.

For the performers the score pushes up against its imposed limits. It would be difficult for anyone hearing the range of sounds coming from the pit to guess how many players were involved, especially when the execution sounds as brilliant in colour and detail as it did there with the twelve musicians under the direction of George Badacsonyi. The singers, for their part, also have to stretch beyond their normal vocal ranges.

Of the cast of three, the bass Jonathan Robarts made a particularly fine impression with his firm, well-placed singing as Arthur, the uneasy religious zealot. There were well-observed portrayals, too, from Neill Archer and Jeremy White as his two companions. The rising tensions between them were convincingly handled by producer Dominic Barber, building up an effective evening of operatic suspense that more companies might think of taking on.

Athena's £25,000 art prize

The Athena Art Awards, which bring the UK's largest art prize of £25,000 for the winner, are to continue for a second year with some slight changes. There will be eight finalists, one of whom hits the jackpot while the other seven each receive £1,000.

The main change is that Athena, the leading publisher and retailer of posters and prints in the UK, will not have automatic reproduction rights on the winners. It is believed that this deterred some entrants in the first year. Also, competitors over 18 may send in as many entries as they wish, and the selection of the judges will be hung at the Barbican from February 11-March 8, 1987.

The closing date for entries is November 3 and all two dimensional works of art other than photography are eligible. Athena still hopes to negotiate the exploitation of some of the contributions. Its best selling poster, by Katherine Dickinson, was an entry in last year's competition. If the company can sell 10,000 copies of such an art work at about £10 each, the resulting profit goes some way to meeting the £100,000 cost of the competition.

A.T.

André Watts/Festival Hall

Andrew Clements

André Watts's contribution to the André Previn Music Festival is exclusively Liszt. After playing the A major Concerto with the Royal Philharmonic on Wednesday, his recital in the Festival Hall on Sunday afternoon was designated as a "Homage to Liszt," a programme which included, together with the B minor Sonata and the Paganini Studies, a varied assortment of smaller pieces. Given the limitations of a single concert it covered the range of the piano music with some thoroughness.

Watts has many of the essential accessories of the successful Liszt specialist: technical assurance which refuses to wilt under severe pressure, the ability to float legato melodies with a trance-like gentleness, and an easily invoked streak of flamboyance. Sometimes the steely address is just a little too obvious: "Les jeux d'eau à la Villa d'Esté" might have been invested with a greater range of colour; the climax of "Un sospiro" pressed too hard.

But in general his judgment of scale was quite precise. A sequence of five late miniatures, from the first *Valse oubliée* to *En rêve*, was perfectly proportioned, appropriately delicate, and each of the Paganini Studies was conceived with a sensible dramatic shape clearly in mind. Some of the most demanding passages in the studies were rattled off with great panache, and none of the traditional pitfalls in the sonata caused him to break his stride even momentarily.

What was consistently lacking was any obvious insight into the creative mind that generated these often startling piano works. Watts is a traditional Liszt player, and his interpretations never strayed beyond the received wisdom of that tradition. In small-scale movements the surface brilliance and precise conjuring of mood got him by; in the sonata, however, the performance became quite uninteresting, without any sense of organic growth, any obvious relationship between form and dramatic function. Too much of it confirmed long-held prejudices about Liszt as a vapid note-spinner; not, I'm sure, the kind of homage that was intended.

Japan old and new/Almeida

Dominic Gill

The celebration of Japanese music at the Almeida in Islington—only one of the several themes of this year's mammoth festival — continues until next Saturday. I reported last week on the brilliant pianist Aki Takahashi, and her ensemble of five players Sound Space Ark. These same players joined forces on Thursday with Richard Bernas's Music Projects/London to give another programme, this time for larger ensembles, of post-war Japanese works.

The chief emphasis was again on the middle generation of Japanese composers, born in the 1920s and 1930s; but the concert opened with two pieces by Yoritsune Matsudaira (b.1907). To describe Matsudaira as the Charles Ives of Japanese music is stretching an analogy, but his music does have a similar sense of unconventional, eclectic adventure. Like his Theme and Variations for solo piano which we heard last week — an exuberant pot pourri of Stravinsky, Messiaen, Chopin and Boogie-Woogie — his *Variations on Three Movements of "Embu"* is an odd hybrid, a synthesis of 12-tone western manners with formal elements of ancient Japanese music.

The *Embu* ceremony is traditionally performed by two dancers; in an ideal account of Matsudaira's piece, though their roles were subsumed on this occasion by pairs of clarinets and flutes, would the dancers surely not also appear? —the music summoned them clearly enough in the mind's eye. The same composer's *Katsura* for soprano, harpsichord, guitar, flute, harp and percussion was a vivid contrast of manners, and especially of timbre, to the starkness of *Embu* — a delicate, rather French instrumentation, elaborating a sequence of *Tanka* (traditional Japanese poems of 3 syllables) in a variety of styles. The soprano soloist, admirably secure in her intonation, was Jane Manning.

Yuji Takahashi (the brother of Aki) is Japan's Cornelius Cardew, although there is a difference. Cardew's "political" music was as dumb as his political pronouncements. Takahashi's political pronouncements (including those implied by his programme notes) are as naive as they come: but some of the music is original and imaginative. His *Jit* for solo piano and flute—based on a song about a revolutionary Thai poet and guerrilla fighter who died in 1966—had a kind of zany charm; and *For You, I Sing This Song* ("dedicated to the people's struggle against oppression inside and outside America") is an attractive medley of tunes, stylishly arranged for violin, clarinet, piano and percussion: the Chinese song especially was very pretty.

A Box by Sei-Ichi Yuasa (no relation of Yuji Yuasa) unwound a slow tread in rhythmic (but rarely in pitch) unison for two violins for 20 minutes. Minimalist, you would have to call it: certainly a piece, as they say in the US these days, to Zen out on. Yoriaki (no relation to Yoritsune) Matsudaira's *Genesis* offered 15 minutes of curiously detached, unemotive instrumental and vocal striding —*non expressivo*, without any crescendos or diminuendos: a purposefully, one guesses, casual Creation. Jo Kondo's *Isthmus*, a tiny kaleidoscope of seven instrumental soundflakes designed "to be played as an encore even when not requested," ended the evening with its only genuinely Satiesque fragrance.

Saturday evening's long two-part concert, after a recital by the brilliant young guitarist Norio Sato, was devoted to music for three traditional Japanese instruments, the shaku-hachi, the biwa and the koto. In its almost limitless subtlety of tone-colour and pitch inflection, often eerily vocal in its utterance, the wooden shaku-hachi flute is one of the most beautiful and haunting of all instruments. The three solo pieces played by Yoshikazu Iwamoto were regrettably short —although in *Koku* ("Empty Sky") he did manage to generate the beginnings of that marvellous sense of close, unearthly focus, microscopic yet timeless, which characterises the greatest classical shaku-hachi performances.

Traditional music for the biwa (a Japanese lute played with a huge triangular wooden plectrum), as well as for the koto (a sort of giant zither), I still find deeply absorbing and almost wholly incomprehensible —in the field of music, at least, the paradox is perfectly acceptable. Recent music written for traditional instruments often sounds like an uneasy hybrid: alone among the postwar works we heard, Takemitsu's *Eclipse* for shaku-hachi and biwa seemed to find a sort of poise, and an original voice, delicately between the old and the new.

Saleroom/Antony Thorncroft

Of Fang and furniture

Sotheby's is enjoying itself in Monte Carlo. After raising £1,552,000 for a painting, admittedly by Mantegna but in a very poor condition, it sold furniture on Sunday for £4,634,926, with a private English collector paying the top price of £567,907 (well over double the forecast) for an ormolu mounted lacquer commode by Weisweiler, a great name in late 18th century French furniture.

It came from the collection of the late Charles de Pauw of Belgium whose forty pieces brought in £2.4m. There was one disappointment; a Louis XIV century marquetry centre table attributed to Boulle was unsold.

A private American collector paid £423,349 for a pair of Louis XVI cabinets attributed to Weisweiler while a secretaire, which the catalogue could not decide between Weisweiler or Riesner as the maker, failed to find a buyer in the auction room but was subsequently sold for £206,517.

In the general auction a Louis XIV console attributed to Boulle and from the collection of A. Roussel went to an Italian dealer for £289,118. All told the Roussel contribution of 53 lots totalled £1,568,800.

Back in London yesterday Sotheby's was offering tribal art. It had a mixed reception, with a total of £436,755 but almost 30 per cent unsold. There was a good demand for the Benin items but for some reason Fang figures (from the region which is now Gabon) were quite out of favour.

The top price was the £176,000 paid by an American private collector for a Benin bronze plaque depicting five figures which was produced in the Edo court around 1600. It is one of only 19 such plaques with five figures and is the last in private hands. The price was at the bottom end of the forecast. Another Benin item, an ivory armlet, in the shape of a leopard, went to a Swiss private collector for £75,000: there are only five such ivory pieces known. It is conjecturally dated to the 17th century.

The same American buyer paid £30,800 for a Baga wood stool, rare because the Baga number only around 60,000 as a tribe. The same Swiss buyer acquired a Hamba wood stool for £17,600, below its estimate.

The main disappointment was a Fang male reliquary figure which sold for $30,000 in New York 10 years ago but which failed to attract a bid yesterday. Another Fang figure also failed to find a single buyer despite the fact it is considered to be one of the half dozen best Fang items surviving; it had carried a £150,000 top estimate.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 20-26

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Rigoletto, produced by Hans Neuenfels, will have its premier this week. The cast includes Ingvar Wixell in the title role, Barbara Hendricks and Dano Raffanti. Salome, conducted by Heinrich Hollreiser, has Lisbeth Balslev, Ruth Hesse and Ingvar Wixell in the main parts. Tristan und Isolde stars Ingrid Bjoner, Ruth Hesse, Spas Wenkoff and Martti Talvela. Don Giovanni rounds off the week (34381).

Hamburg, Staatsoper: The concert version of Boito's Mefistofele with Gabriela Benackova, Galina Savova and Samuel Ramey (351151).

Frankfurt, Opera: Die Entführung aus dem Serail features Faye Robinson, Julie Kaufmann, Peter Blochwitz and Uwe Peper. The week also includes Hans Zender's opera Stephen Climax, produced by Alfred Kirchner. Don Pasquale has Barbara Bonney and Bodo Schwanbeck (25621).

Cologne, Opera: Cendrillon, sung in French, has Ann Murray excelling in the title role. Orfeo brings Kathleen Kuhlmann and Teresa Ringholz together (20761).

Stuttgart, Württembergisches Staatstheater: Der Liebestrank stars Lucia Aliberti and Luis Lima. There was much praise for Jenufa when it opened. Also Manon Lescaut and Don Giovanni (20321).

PARIS

Die Zauberflöte in Marcel Bluwal's production tries to show the shaft of optimism shining through the complexity and contradictions of Mozart's work which combines philosophical depth with the Burlesque at the Opéra Comique (432 9606 11).

Salammbo alternates with Don Quixotte in Rudolf Nureyev's choreography and production adding a playful element of Commedia dell'Arte and a lovers' intrigue to the original opera created by Petipa in 1869 to music by Minkus. Paris Opera (42685022).

Mozart Festival – Don Giovanni is co-produced by the Orchestre de Paris, Washington Opera and the Théâtre des Champs Elysées, conducted by Daniel Barenboim, Orchestre de Paris choir conducted by Arthur Oldham in Jean-Pierre Ponnelle's production at the Théâtre des Champs Elysées (47234777).

The Wuppertal Tanztheater is bringing two works by Pina Bausch with her violence in deciphering human nature and her tenderness in understanding it to the Théâtre de la Ville (42742277).

ITALY

Milan, Teatro alla Scala: Eugene Onegin conducted by Seiji Ozawa and directed by Andrei Konchalovsky, with Mirella Freni, Elena Zilio, Benjamin Luxon (alternating with Angelo Romero), Neil Shicoff (Peter Dvorsky), and Nicolai Giaurov. Le Martyre de Saint Sebastien, Debussy, conducted by Sylvain Cambreling and directed, and with choreography by Maurice Béjart (80.91.26).

Milan: Teatro Nuovo: The age of Debussy: New ballets danced by Maurice Béjart's ballet du XXième Siècle, with choreography by Marco Berriel, Bertrand d'At, Michel Gascard and Kyra Kharkevitch to music by Claude Debussy, Alban Berg, Erik Satie and Arab/Andalusian music (41.82.66).

Turin: Teatro Regio: The Dance Theatre of Harlem in works by choreographer Arthur Mitchell (548.000).

Naples: Teatro di San Carlo: Carla Fracci and Georghe Iancu in Prokofiev's Romeo and Juliet, with choreography by Roberto Fascilla (41.82.66).

Florence, Maggio Musicale Fiorentino: Teatro Comunale: Tosca in a new production by Jonathan Miller conducted by Zubin Mehta, with scenery and costumes by Stefanos Lazaridis. Cast includes Eva Marton (alternating with Sofia Larson), Giuseppe Giacomini, Silvano Carroli and Italo Tajo (27792236).

Spoleto: (29th two worlds' festival). Teatro Nuovo: Giancarlo Menotti's La Santa di Bleecker Street conducted by Tzimon Barto and directed by the composer (33.111).

NETHERLANDS

Amsterdam, Carre. Wagner's Die Meistersinger from the Netherlands Opera and the English National Opera directed by Elijah Moshinsky and designed by Timothy O'Brien; with the Concertgebouw Orchestra conducted by Edo de Waart. Soloists William Johns, Kathryn Bouleyn, Norman Bailey, Jard van Nes (Tue). (225 225).

Amsterdam, Concertgebouw: Luciano Berio conducting a concert performance of his opera La Vera Storia with the cast from the Florence production, including Livia Budai, Valeri Popova, Milva, Roland Nolan and Lajos Miller, the Rotterdam Philharmonic and Le Groupe Vocal de France (Wed). (71 83 45).

VIENNA

Staatsoper: Orpheus. Ballet by Hans Werner Henze. Tosca; Carmen with Baltsa, Borovska, Gyldenfeldt, Winsauer, Carreras; Turandot with Jones, Ricciarelli. (53 24/2655).

Volksoper: Polenblut; Giustino; Madame Pompadour; Die Zauberflöte; Hello Dolly (53 24/2657).

TOKYO

Ballets Trocadero of Monte Carlo, the all-male troupe in their parodies of classical ballet. The evenings' selections include scenes from Swan Lake, Les Sylphides, Saint-Saëns Dying Swan, Kani Hoken Hall, U-Port, Gotanda (400 9999).

SPAIN

Barcelona, La Traviata rounds off spring season with Alfredo Kraus and Edita Gruberova. Gran Teatre del Liceu, Sant Pau 1. (318 9277).

FINANCIAL TIMES SURVEY
Tuesday June 24 1986

Isle of Man

The island's plans to establish itself as an offshore centre with a strongly British slant have reached fruition. The government now waits for the world's banks, financial and shipping companies to arrive, and boost the local economy.

Plenty of room to expand

By Ian Hamilton Fazey

THE ISLE OF MAN is beginning to look as though it has got its act together. It faces a general election in November that will mark a watershed in the way the island is run. The new Tynwald — the island's parliament, which derives from the Vikings in 979 AD — should be able to build quickly on many changes made since the last election in 1981.

One traumatic event spurred the changes: the collapse of the island-based Savings and Investment Bank (SIB) in 1982 with £42m of depositors' money.

The collapse woke people up to the island's inadequate inspection and supervision machinery and jolted them out of the backwaters of the offshore financial world. Supervision of the financial sector is now professional, full-time and tough.

Although some complain that things may have gone too far the other way, many delight in the other implication — that the company that passes muster on the Isle of Man must be safe and respectable.

Visible respectability of this sort is vital to the island's wish to develop as a major offshore financial centre. Finance is already the biggest industry, contributing more than one-fifth of national income and nearly twice as much as tourism.

The financial sector is nevertheless underdeveloped. The deposit base in island banks is now well on the way to £3bn, but Jersey was already at £20bn when the Isle of Man was passing the £2bn mark 18 months ago, while Guernsey was at £5bn.

The main argument the island advances for itself, however, is that London needs respectable offshore bases in its own time zone. Compared with the Isle of Man, the Channel Islands are bursting.

The island has room for growth in every sense of the word: property is relatively cheap and spacious, the political situation is stable, costs and taxes are low, and there is a deliberately engineered absence of unnecessary restraint on business development.

These are the principal trends and developments that have taken place in the past three years:

● **Financial supervision:** The financial supervision commission is now firmly established under Mr Mark Solly. It supports the banking supervisor, Mr Jim Noakes, who has now lifted an embargo on new licences imposed after the SIB collapse. But only banks with established "names" need apply. Size is less important than proven respectability so "good little 'uns" are just as welcome as, say US giants.

Insurance sector growth, supervised by Mr Duncan Neil, is slow but of high quality. Legislation has been framed to encourage insurance companies, which can apply for exemption from tax on profits deriving from risks written outside the island.

This has encouraged Equity and Law to set up in the past year, for example, moving key staff from the Channel Islands. The growing market for expatriates' funds will be important here.

● **Shipping Register:** The island's chief marine surveyor, Capt Geoffrey Davis, functions as an equally tough shipping registry version of Mr Noakes and Mr Neil. The register is a subsidiary part of the UK one but since "offshore" agreements can be made with crews, labour costs may be as much as 50 per cent cheaper.

Isle of Man taxation laws bring other advantages. Tynwald passed all the necessary legislation to bind the island to the relevant international conventions in 1984. Canadian Pacific and Ellerman have already registered ships on the island and negotiations are well advanced to bring in other big names.

The aim is to be a respectable flag of convenience. Rust Buckets are not allowed and there has to be local management.

● **Professional infrastructure:** Pannell Kerr Foster used to dominate the island's accountancy profession, training most of the people who set up small practices. Peat Marwick, Touche Ross, Coopers and Lybrand, and Arthur Andersen have all arrived in one way or another, the latter two by moving in with existing local practices.

Peats, which was growing quickly under its own steam and the leadership of Mr Peter Pell-Hiley, has now merged with a local firm to take a quantum leap forward. Touche Ross is also growing but has decided to go it alone. Its resident partner, Mr David Burton, is now assisted by part-time visits from Liverpool by Mr John Poirrette, a senior figure in UK operations.

The big international firms will probably contribute much to developing both the financial sector and the shipping register, since they have clients around the world whom they can introduce directly to the island.

Getting this part of the infrastructure right is also critical to a sound financial sector as a result of the amount of indemnity insurance which the Manx Government now insists that auditors carry.

In effect, this cut out small firms from auditing banking and insurance companies, adding to safety.

The legal infrastructure is also being developed. Manx legal practitioners, who are called advocates and practice as both solicitors and barristers, have been criticised for keeping out people from other jurisdictions, even though local talent was sometimes not up to scratch in international legal and financial requirements.

There are 40 advocates now, almost double the number of 15 years ago and Mr William Cain, the island's Attorney-General, is setting up much more intensive training for them. He expects about 50 to be enough eventually—a rumour comparable to other offshore centres of similar size.

However, legislation this year will enable lawyers from outside to practice on the island in specialist areas, and to call themselves lawyers. They will not be allowed to appear in the Manx courts, though English barristers can be licensed to appear in special circumstances.

One important aspect of the new law will be that it too will act as an inspection mechanism. Lawyers will have to be approved by the Attorney General. Previously, people with dubious backgrounds and qualifications set up as "legal advisers," claiming to be solicitors. This legal equivalent of the crooked bank or ageing rust bucket of a ship will now be outlawed.

● **Constitutional change:** At present the head of the Manx government is the chairman of the executive council. He is appointed by Tynwald, but so are the members of the council, a situation that the present chairman, Dr Edgar Mann, compares with being leader of the British Labour Party and saddled with an executive of widely diverging views.

The checks and balances of Manx democracy also extend to a series of policy-making boards. Interlocking functions and membership can make change difficult. Moreover, members of Tynwald are all independents: the chairman of the council has to achieve consensus on everything and can be turned out on a vote of no confidence.

After this year's election, Tynwald will appoint the chairman but he will pick his own team. Tynwald can reject it and tell him to try again but practical politics suggests that the island is now well on its way to cabinet government, with the office of the chairman of the executive council much more comparable to that of a prime minister's than ever before.

Reinforcing this will be a ministerial system that will overcome the problem of the boards. To make this work the present 26 government departments will be rationalised into nine. Dr Mann expects massive reductions in bureacracy and a government capable of respooding quickly to poltical, social or market needs.

It will also be a national government of independents. If it had to be painted a political hue this would be very difficult. The chairman of the Finance Board—the island's "Chancellor of the Exchequer"—is Dr David Moore. He thinks the Island is fundamentally Liberal-Social Democratic in outlook.

The need for consensus and compromise reinforces this, as does the small size of the community — 65,000 people — which is probably an insufficient critical mass for factions to form effective parties.

The new structure, however, will enable a clear line to emerge on one major constitutional issue—abrogation of the customs agreement with the UK. This upset the manufacturing sector when it was first mooted three years ago because of fears that different rates of VAT between island and mainland would create export barriers.

Now, people are beginning to see that it might confer more widespread overall advantages for the island's economy, especially tourism, enabling ferries to become duty-free and boosting the retail sector via tax-reduced, if not tax-free, shopping.

Moreover, there is an important political point: the Isle of Man has competed with the UK for rich or talented residents by having much lower direct taxes (a single rate of 20 per cent). With a British government aiming for lower direct taxes but possibly higher indirect ones, the island may need to compete on VAT too, which it cannot do unless the customs agreement is abrogated.

Right: Dr Edgar Mann, who heads the island's government, and (above) Mr William Cain, the Attorney-General

Pictures by Hugh Routledge

ISLE OF MAN 2

Banking

Long wait for the big banks to arrive

IT IS a little unfortunate for the Isle of Man that when it has *finally got its financial* regulatory plans organised, the major international banks have turned their attention to the Third World debt crisis or, more positively, *to growth* in the securities markets around the world.

Either way, their enthusiasm for new branches in locations such as the Isle of Man is distinctly limited.

Manx officials note thet several of the big banks have shown some interest recently, but are under no illusions that they are doing more than updating their files on the island.

"We would dearly love to have e major US or European bank set up here," admits Mr Jim Noakes, the island's banking supervisor, without suggesting that any breakthrough is just around the corner.

He remains optimistic that in the longer run such major international banks will recognise the Isle of Man's attractions, which include availability of staff and office space, good communications, a position in the European time zone, and political security.

Mr Noakes might have added that Jersey is crammed full—a reason, for example, why Roy West trust has decided to make the Isle of Man its European headquarters — while many Caribbean offshore centres are tainted by political uncertainty or corruption.

Unfortunately the island's own big scandal, arising from the £42m collapse of the Savings and Investment Bank four years ago, continues to cast a shadow over the financial scene. A still secret government report on the affair could create a stir if it is ever published, while legal actions against the government by depositors are pending.

Nevertheless, banking business is good. The latest figures show that deposits with Manx banks rose by a record £199m in the first quarter of 1986 to £2.75bn, an increase of 26 per cent over the year ended March. Tha reasons for this acceleration are not clear, but may be connected with new business in shipping, insurance and investment.

Growth in deposits by mainland investors seeking to avoid the composite rate tax imposed in last year's UK Budget is said *not* to have been as big a factor as was originally expected, although some effect has been seen. The TSB (Scotland), for instance, set up a new branch on the Isle of Man last year specifically to handle non-CRT business, and has pulled in £12m so far.

Elsewhere, the establishment early in June of the island's first association of overseas bankers may one day be seen as a landmark, though the initial roll is modest at just eight members.

Mr John Sale, general manager of the Isle of Man Bank—an independently managed unit of the National Westminster group—says that the island's banking sector is expanding healthily. "The government are right in being willing to license only top class names," he suggests. "It is only a matter of time before we see results from their policy."

There are at present 44 licensed *banks* on the Isle of Man, and 10 companies with deposit-taking licences. A moratorium on new licences was lifted last year following the development of the new regulatory framework under the Financial Supervision Commission, but only well-established banks need apply.

"We decided not to license any more private banks," Mr Noakes says. The problems of controlling changes of ownership were more than a small centre like the Isle of Man could contemplate.

During the troubled period that followed the SIB collapse several other banks left the island, or were squeezed out, but those that remain are trading profitably within the FSC's new rules.

New banks are welcomed, but Mr Noakes warns: "We are very tough. We only want prime quality institutions. We don't want brass plate operations. A bank has to have staff and premises. We are an underdeveloped offshore centre and we want real operations."

Mr Mark Solly, director of the FSC, is also involved with regulating other forms of financial service businesses, including investment managers, of which there are 40 or more on the island with so-called Section 7 licences under the 1975 Banking Act. But insurance has been hived off under a separate authority.

One of Mr Solly's current preoccupations is whether the Isle of Man will receive "Designated Country" status under the new UK financial services legislation.

Such status would help Manx firms to sell into the UK market, but on the other hand the UK Secretary of State for Trade and Industry would be able to specify the classes of schemes to which any concessions would apply, and Manx unit trusts, for example, might therefore be put into a kind of UK straightjacket.

However, it is realistic to expect that any offshore centre will have to be very careful in its relationships with the mainland, or invite retributive legislation as the Channel Islands did two years ago over the so-called "roll-up" funds.

In any case, much of the marketing effort of the Manx offshore financial sector is focused on the British expatriate market, in areas such as the Middle East for those in employment, and tha Costa del Sol for those enjoying retirement in the sun.

Jim Noakes: no brass plate operations.

Mark Solly: qnestions of designated status.

Much in this business depends on reputation, and a speedy and dignified settlement of the Savings and Investment Bank affair would be the biggest single boost that the Isle of Man could hope for.

Four years after the bank failed in July 1982 there are still many loose ends. For instance, the island's chief judge, Deemster Arthur Luft, is at present deciding what to do about the official inspectors' report on the circumstances of the collapse.

Ha could decide to publish it in whole or in part, or to withhold it on the grounds that it will form the basis of criminal prosecutions and might be considered to be prejudicial.

A complication is that the contents of the report, if they contain criticism of the government regulators of the day, might have implications for separate actions currently being pursued by depositors against the Manx Government for alleged negligence in failing to prevent the bank's collapse.

The government had a setback in this respect a few weeks ago when the Deemster ruled that one of the suits, by a company called Coltsfoot, could count as a consolidated class action on behalf of over 800 other depositors.

This would make it easier for small depositors to take legal action. But a government appeal against this decision is pending.

To the present regulators, who were appointed after the Savings and Investment Bank failure, this affair is unfortunate ancient history. Mr Noakes says that his only interest in the inspectors' report—which he has not seen—is in its possible lessons for the future.

Barry Riley

Financial supervision

Confident of firm control

ROYAL ASSENT received earlier this month for the new Insurance Act should mean that the Isle of Man will be able to promote its attractions as an offshore insurance centre bolstered by the confidence that it can maintain consistent control over companies in the sector.

This is tha second recent piece of legislation affecting the insurance sector. A few years ago the island passed tax legislation which allowed it to *promote itself* as a base for offshore insurance businesses, including the "captives" which are often set up in offshore tax havens by major industrial companies.

The island has enjoyed modest success in attracting captives, with 29 established so far and others being licensed at the rate of about one a month. The current focus is on specialised risks, such as professional indemnity insurance, rather than the reinsurance-linked activities which boosted the growth of captives a few years ago.

But the Isle of Man remains *a long way behind Guernsey* and has not begun to dent the international domination, especially of American-based business, enjoyed by Bermuda and the Cayman Islands.

Yet Mr Duncan Neil, insurance supervisor, seems happy with a steady rather than spectacular rate of progress. "I don't want the Americans to view us as an alternative to the Caribbean," he says.

The island's reputation as an honest centre of insurance business is the *first priority*. In any case, brass plate activity such as that of the captives is of relatively little value to the economy of the Isle of Man. It is more important that it should attract insurance companies keen to set up genuine trading businesses aiming to sell into the offshore markets.

Such companies will employ administrative staff locally and take up office space, providing a valuable boost to the local economy. The biggest existing example is Eagla Star, which came to the island some four years ago and is now selling policies at the rate of £50m a year, largely to expatriates.

Eagle Star has just moved into smart new offices in the centre of Douglas, and there are plans for a substantial rise in staff levels. Another sizeable offshore lifa operation on the island is that of Royal Life International, renamed after last year's takeover of Lloyd's Life by Royal Insurance.

The island's government would also like to see the development of general insurance and reinsurance businesses aimed at international markets, and taking advantage of the tax exemptions availabla to companies trading offshore. This type of business has not got off the ground yet, however.

Mr Neil foresees that the Isle of Man could develop as a kind of fringe to the big London insurance markets. At the moment companies find it necessary to maintain offices and staff in London, but in future it might be possible to carry on at least some types of activity through screens and other electronic link-ups.

Another idea floated by Mr Neil in the past has been that of an "insurance exchange" through which industrial companies could trade their insurance requirements. This plan appears to have been put into cold storage for the time being, but provisions for such an exchange has been made in the new legislation. "Wa could activate it fairly quickly," Mr Neil says.

The new framework for insurance regulations was devised by a working party consisting largely from Lloyd's Life and Royal, and Mr Roger Whewell, an insurance specialist from accountants Peat Marwick in London.

Ha defines the aim of the act as to provide flexibility and tha minimum of bureaucracy while at the same time discharging the government's responsibility to maintain e sound and orderly market and to protect the island's reputation.

Rather than follow the UK pattern whereby insurance companies issue only superficial shareholders' accounts but have to file extremely detailed separate returns with the Department of Trade and Industry, the Isla of Man has opted to improve the quality of the basic shareholders' annual report.

Two local directors of repute, or a registered local insurance manager, are required. The idea of this is that the insurance supervisor will be able to find people on the island ready to take responsibility for an insurance company's actions, and will not have to chase shadowy figures around, say, the Caribbean.

An insurance authority has been established, independent of the Financial Supervision Commission which looks after banking and other financial sector activity. To begin with it will have to look after no more than about 40 companies, but the hope is that this figure will grow, though not so fast as to put a strain on the resources available to support the new regulatory framework.

Duncan Neil points out that the rate of expansion will depend on factors beyond the *Isle* of Man's control. But he is satisfied that the opportunities offered by the island are now widely known.

Barry Riley

Aids and incentives for industry

CAPITAL GRANTS
Forty per cent of costs of new buildings, building improvements, new plant and machinery.

OPERATING GRANTS
First-year expenses: 40 per cent of non-recurring, commissioning and running-in expenditure, including costs of transfer of equipment and key personnel.
Training costs: 50 per cent of special training costs incurred by employers operating an epproved training scheme. Separate assistance is also given towards apprentice training.
Marketing costs: 40 per cent of costs of specfic new marketing ventures.
Energy conservation: 40 per cent of investments designed to conserve energy and reduce costs.
Micro-processing technology: 40 per cent of costs of employing consultants to advise on methods of applying micro-processing technology to manufacturing processes.

LOANS
Fifty per cent of working capital requirements at modest interest rates with deferment of commencement of repayment for two years.

RENT REDUCTION
Should a company with an approved project wish to rent a new factory from a private developer—rather than build *its own with grant assistance*—the rent to be paid will be reduced to reflect the value of the grant foregone.

TAXATION ON PROFITS
Income tax rate is 20 per cent payable on undistributed company profits. There are substantial first-year capital allowances on investments in buildings and plant and machinery.

Shipping register

British but cheaper

CANADIAN PACIFIC is the latest recruit to the Isle of Man's new and growing shipping register, joining Ellerman, the first big name to register after tha Manx government passed the necessary framework of marine legislation in 1984. More than 40 ships are now registered at the four Manx ports.

Other international shipping companies are in an advanced stage of negotiation and the register is expected to grow quickly. The register is a subsidiary but independent of the main British one in the same way as those of Hong Kong and Bermuda, so British safety regulations apply.

It is open only to British owning companies but that does not *stop foreign shipowners* transferring ownership appriately so as to qualify.

The principal benefit of registering in the Isle of Man is in wage costs. Crew agreements are negotiated on offshore terms, so that they also benefit from the island's low tax regime and are not subject to UK pay-as-you-earn, though crews take care of their own pension arrangements.

The resultant packages mean higher pay for crews but reductions of as much as 50 per ceot in total personnel costs to the employer, compared with what has to be paid under union agreements if a ship is registered at a British port.

Other financial benefits includa 100 per cent capital allowances in the first yeer or, alternatively, the company can register as tax-exempt and pay no tax on profits accrued outside the island. The island government acted right from the outset to counter criticism by the National Union of Seamen that the register might become a haven for substandard ships looking for a cheap flag of convenience. It did so by adopting an approach to inspection as rigorous as that in tha island's financial services.

Captain Robert Speedie: office move ahead of legislation

Capt. Geoffrey Davis, the chief marine surveyor, has two assistants, one a *specialist* in marine architecture and the other in engineering. Ships have to be inspected at least once every five years.

Standards are also being kept up by another condition of registry—vessels have to be owned or managed on the island. The shipping equivalent of the absentee landlord therefore need not apply. What this means, in practice, is considerable opportunities for ship management companies.

Denholm and Wallems have each set up offices and expect to do well. Denholm's operations ara run by Capt Robert Speedie, who moved from the group's Glasgow base to set them up ahead of the legislation being enacted, so as to be ready from day one.

Success can be judged from the growth in numbers of staff employed, from seven to 30 in two-and-a-half years.

Wallems has also brought jobs, employing nine, and Canadian Pacific is starting with one person to manage the two bulk solids carriers it has registered so far. Other ship management companies, together with ships already under them, are in the offing.

Capt Davis says: "If UK owners come to the Isle of Man they feel happier than going far away, say, to the Bahamas. We can be regarded as a respectable convenience flag, rather than a flag of convenience with all the *connotations* that implies."

As to the flag itself, Manx-registered ships still fly the normal Red Ensign, indicating British ownership. Only if the ship is Manx-owned will it fly the Red Ensign decorated with tha Legs of Man.

Ian Hamilton Fazey

New residents

Island life charms when the penny drops

IMMIGRANTS are not called that in the Isle of Man. To the government they are known as "new residents" but the native islanders call them "come-overs." Many immigrants have a different name yet for themselves, however—"sent-overs," indicating that they had little choice in settling there.

Indeed, there may be more sent-overs than anyone ever suspected. According to a study by Mori, commissioned by the government and published last month, 19 per cent of a sample of new residents were sent by their companies or otherwise had no real choice in moving.

Being a sent-over is not like transportation in days of old. For most, island life quickly charms them into permanent residence. As Mr John Sands, who runs Aero Designs, the Short Brothers subsidiary, puts it: "It took about six months for the penny to drop. Then it was a matter of ensuring that I would have no reason to leave."

He was sent by the Royal Air Force to command a now-disused bombing range in the Irish Sea. His eventual move to Shorts fitted neatly. The aircraft company could not get enough designers to work in its Belfast headquarters so it set up on the island seven years ago and will have 50 employees by the end of this year.

Many of them are come-overs but others are local recruits and—critical for the island—three technician apprentices have been taken on four years running. Mr Sands is in a position to ensure that come-overs make their decisions with their eyes open and does so, spelling out the disadvantages of island life clearly as well as the advantages.

These merged in the Mori survey as the cost and inconvenience of travel and transport on and off the island, as well as the high cost of the locally-generated electricity. Other dislikes among new residents were poor shopping facilities and a higher cost of living. A third of wives interviewed complained of isolation.

These are the sort of problems to be expected on an island, albeit large, with a small (65,000) population. Long-term or native resident in the Mori survey rated the problems as much less important than the newcomers did. They also overestimated the island's advantages, which suggests that people either adapt and adjust, or they go.

Even six years ago there was an attitude on the island of "If you don't like it, there's a boat at nine o'clock every morning." This has changed, however, with the present generation of island leaders, anxious to develop the Manx economy. The welcome mat is broader and there is practical help, such as temporary housing for key workers.

The new residents policy is aimed at anyone who will bring skills to the island that will generate economic activity and, hopefully, growth. Immigration is theoretically open to anyone and the days when only rich, non-working come-overs were welcome have long gone.

It is controlled, however, through the issue of work permits. Thus one middle-aged engineer who moved found that his eldest son had to stay in England because he had no special skills to offer that could not be found among island's teenagers who had also left school.

Companies' motivation for moving to the island centres on fiscal matters and island life. In the Mori survey, low company taxes, political stability and personal reasons all scored more than 80 per cent with people who had arrived during the past five years.

However, sea communications were rated poor by 76 per cent, and 81 per cent complained about the cost of energy. Just over half were unhappy about the domestic supply of managers. Nevertheless only a quarter of businesses would not make the same relocation decision again — and then because of the peculiarly "island" factors of transport links and energy.

John Sands: no reason to leave after adapting to island life

Talking to come-overs, it soon becomes clear that it is mainly a matter of adjustment. Although some people never settle, most soon start to weigh the good points against the bad and find the scales tilting heavily in the island's favour.

"Quality of life" seems to assume greater importance as people experience it. Factors scoring highly in the Mori survey included a low crime rate, relaxed life-style, scenic beauty, a safe environment for children, a friendly local population and low personal taxation.

One of the latest new residents is Mr Jeremy Hewlett, who opened up Equity and Law International life assurance on the island last July.

He was already an islander, moving from the Channel Islands. What motivated Equity and Law was the developing Manx legal framework aimed at attracting insurance companies.

Lloyds Life and Eagle Star are long-established, but Allied Dunbar are also newcomers. Mr Hewlett says: "We were getting a lot of inquiries from the expatriate market, but we're not happy with the legal framework in Jersey. The expat market is 2m strong and growing by 20,000 a year. We wanted to operate offshore and came to see Duncan Neil, the insurance supervisor.

"We discovered that the Isle of Man has law, space, room to grow and a government committed to expansion of the financial sector."

The company, like its competitors, operates several funds, some aimed at UK residents. Although investors may have fewer safeguards than in the UK, the Manx government's new resident policy ensures that only reputable companies, which could not afford the opprobrium at home if they behaved badly offshore, are allowed to operate.

Mr Hewlett's company, which trades through brokers, agents or similar intermediaries, received 1,800 inquiries in the first week when it announced its new Isle of Man schemes. The move has brought in six come-overs while creating six additional local jobs.

His only complaint is the cost and inconvenience of transport. As if to emphasise the point the next day fog disrupted Ronaldsway Airport and he missed connecting flights to Jersey, from where he was due to go to France on the day after.

But that is island life. Local people say you cannot have everything and that business potential and keeping more of your profits and income goes a long way towards easing any pain.

Ian Hamilton Fazey

Manx Telecom

Showpiece promised

IT TOOK British Telecom less than four months to beat off the challenge of Cable and Wireless's Mercury subsidiary and retain the licence to provide all the telecommunications services for the Isle of Man.

But that was only the beginning of lengthy negotiations with the government over exactly how those services will be provided when the franchise comes into operation on January 1 1987 for an initial 20-year period. There are several conflicts of interest to be resolved.

For the company which will take over the service on that day will be Manx Telecom and it will be expected to stand alone, fight alone and make profits alone while at the same time providing a public service. It will have to fulfil all the promises offered and extracted in those negotiations, complete a major investment programme and satisfy the differing needs of international bankers and village communities.

Although a wholly-owned subsidiary of British Telecom on the mainland, it will have to look after a customer base that is a microcosm of that available to its parent and operate as an overseas division. It will have just 23,000 customers, compared with the 20m of British Telecom.

The man who must make the whole thing work, and who describes himself as the one left holding the parcel when the music stopped, is Jim Greenhill, a genial Geordie with a no-nonsense, sleeves rolled up approach. The scale of the job he is tackling is summed up in the much-publicised primary aim of Manx Telecom, "to establish on the Isle of Man a world showpiece of telecommunications."

That is a tall order. It is based on a plan to make the island's set-up a model for British Telecom to show to other potential customers around the world just how they can look after the needs of both large and small countries. Like everyone else, British Telecom has not been slow to capitalise on its expertise and market it through a consultancy division.

Promises

Greenhill is also the man who must persuade private investors to buy shares in his company. There are signs that the Manx Government is, to say the least, lukewarm about taking an equity stake but Greenhill is confident that he will be able to offer shares to investors after about two years.

He should have no difficulty convincing people about his ability to spend money but he will also be required to demonstrate that there is a good chance of making profits.

At the moment he is committed to spending something like £1m a year for each of the 20 years of the licence. This is on top of the £8m spent in the past five years and is complicated by the front-end loading which will see half of that £20m spent in the first five years.

So there will have to be substantial growth in demand if there is to be an adequate return on the investment which the company is making and, consequently, any hope of either dividends or capital growth for shareholders. And that means growth in both the size and requirements of the business users.

All of which means some tough decisions on the new tariff structure. Historically, charges in the Isle of Man were set at the same level as the rest of the UK but, in making its presentation to the Isle of Man Government, British Telecom said "developments in recent years have made a different approach now both possible and desirable."

It went on to say that Manx Telecom would be free to establish its own tariffs and set prices "especially tailored to meet the needs of the island's community."

Without making any promises, that general policy statement went on to say that one of the options included a reduction in call prices in 1987. So can Manx subscribers look forward to smaller bills from next year?

Radio paging

Jim Greenhill is clear about the need for balance. While some islanders see Manx Telecom as a public service and would even like local calls to be free, those sentiments have to be balanced by commercial reality. The variety of services to be provided by Manx Telecom to such a small community will have to be paid for.

The commercial sector understands this but even they will want to see expensive facilities like packet switching available at a reasonable price. The peaks and troughs of demand caused by the tourist season can mean much spare capacity in the off season; there are major investments in fibre optical cable links which will help communications with Europe, and the satellite earth station to improve communications with North America.

And there are those items to be offered by Manx Telecom because they were required to match the attractions of Cable and Wireless. One of them is itemised billing, which Manx Telecom is committed to introducing in Douglas next year and after that throughout the island.

Not everyone believes that itemised billing is particularly beneficial. It means extra expense in changing the billing system and, at domestic level, can be as much a cause of strife as a budget control mechanism.

Add in the introduction of cellular radio and mobile phones, radio paging and a video-conference studio, staffing up to carry out functions previously carried out on the mainland and installing the latest digital systems which will see each of the island's 11 exchanges replaced by 1990 and the pressures on Jim Greenhill and his new board of directors are obvious.

So the answer is that, when final submissions are made in July, while some changes may be reduced in the next 18 months, others will not and there may even have to be some which are higher than on the mainland because of the high cost, low traffic equation.

In strict financial terms Manx Telecom's success is dependent on the growth of the island as a business centre. Without that the island will have a large, gleaming system running very expensively.

Stuart Alexander

Steam Packet Company

Headhunt brings a break with tradition

TO SAY that the new chief executive of tha Isle of Man Steam Packet Company represents a major break with tradition is to put it mildly. David Dixon is 44 and a graduate in politics, philosophy and economics. Moreover, be has never worked for the company before and is not a Manxman.

Even his title indicates radical change. Traditionally, the Steam Packet company had a general manager who bad risen through the company, and answered to a non-executive, policy-making board of which, until recently, he was not a member. Mr Dixon is in charge and on the board and expected to lead it. It is a fundamantal development.

One of his jobs is to ensure that the company's tribulations stop consuming disproportionate amounts of senior management time at the headquarters of its majority shareholder, Sealink, which has a 42 per cent stake.

He was beadhunted from Associated British Ports, where he was in charge of the smaller harbours around the UK. *Previously, he worked for British* Railways, which be joined as a management trainee after university at Oxford. His skills *are therefore in the up-to-date* general management of transport industry.

Being an outsider is a critical qualification, *for Mr Dixon's* role is also about peacemaking after seven-year war between Sealink and the Steam Packet.

This ended last year with a financial restructuring that left Sealink able to call the tune as the two companies mergad operations under the Steam Packet flag.

David Dixon: outsider with a peace keeping role and up to date skills

Bitterness ran deep among people who were involved in the war but Mr Dixon has come to his job untainted by any of it. For example, one of his difficulties is the merging of the seagoing staffs of the two companies. Many of Sealink's were ambitious, former employees of the Steam Packet who went over to the opposition for career advancement rather than wait "*buggins' turn.*" The old hands resent their victorious return and tbe threat they pose to long standing seniority systems.

Mr Dixon hopes to make everyone stop dwelling in the past and work towards vital goals ahead.

Elimination of the Steam Packet's £2m-plus overdraft is but one of them. This year the company is budgeting for only a small profit after losses last year which—even if extraordinary items are ignored—still amount to about £600,000.

The merger with Sealink cost about £1m and the Steam Packet also had a £2m mistake to contend with—a roll-on, roll-off ferry, the Mona's Isle, which it bought to sail between Douglas and the Sealink-owned port of Heysham in north Lancashire.

The ship was an inefficient disaster and proved unable to *manoeuvre* well enongb to dock unaided at Heysham in rough weather. This beightened local anger at the company's summary *withdrawal of services from its* traditional port of Liverpool. The ship bas now been sold and replaced with a 19-year-old Sealink veteran of the Larne-Stranraer route on a 10-year charter basis.

She has been renamed the Tynwald and will be the backbone of the year-round, seven-days-a-week link to Heysham. A freight-only roll-on, roll-off vessel, the Peveril, which used to operate from Liverpool too, will sail the Heysham-Douglas route on weekdays from the autumn, when the present second general ferry, the Manx Viking, goes back to Sealink at the end of its charter. Freight is nearly a third of the company's turnover.

Although a Liverpool service restarted last month, it is a twice-weekly summer one in a similar category to holiday-season sailings linking Douglas to Belfast, Dublin, Fleetwood and Stranraer. The last of these is Sealink's main Scottish operational base and has replaced another traditional Steam Packet destination, Ardrossan.

The ships used on these routes are Steam Packet originals—side loaders designed to work traditional harbour quays and capable of carrying cars or small vans only. Sticking to such old systems and failing to appreciate the benefits of ro-ro early enough were principal reasons why the Steam Packet company became vulnerable to competition.

Mr Dixon admits that no one was *properly* prepared for the move from Liverpool, which was made at one month's notice, causing shock and anger on the island. Smaller shareholders were enraged and the company's disastrous year resulted in a stormy annual meeting, where Sealink's shareholding was enough to block any punitive action against the directors.

Meanwhile, attempts to start a rival service from Liverpool failed to get past tbe prospectus stage, underlining the basic economic truth—sbipping traffic is too low to support more than one main operator between the Isle of Man and the UK. Sealink won the war for its own port of Heysham and that is that.

Mr Dixon points to improved facilities at Heysham. The management there protested strongly last year at descriptions of its being "remote and dreary" but many islanders who use the port regularly still think it is exactly that and no substitute for a big city link. They remain unimpressed by company claims that northern Lancashire is not really remote from England's main population centres.

With grumbles over links to the UK one of the main criticisms of the Mori survey of business opinion on the island, it is likely that Sealink will never be able to win on this one. The island's small population base, coupled with its inexorable decline as a mass, working class tourist centre, mean a limited market.

The same factors made profitable air routes impossible until Manx Airlines formed as a small efficient, island-based operator. The Steam Packet company needs a similar business philosophy.

Mr Dixon wants the company to build a name for reliability, fair prices, comfortable ships and good service. Improved training—many Steam Packet staff have no experience outside the company and service has therefore sometimes suffered accordingly—will be part of it.

The shipping war, and the year of turmoil that followed it, may be a poor base to build on but things cannot get worse. And at least the red and black funnels of one of the world's oldest shipping lines can still be seen on the sea.

IHF

Manxair

Fighting to keep the Heathrow link

THE ISLE OF MAN has this year united to defend one of its principal links with the UK—Manx Airlines' three-flights-a-day service between its airport, Ronaldsway and London Heathrow.

The British Civil Aviation Anthority is trying to ease congestion at Heathrow and has recommended that smaller *carriers such as Manx Airlines* shonld fly to Gatwick. The effect would be to prevent the smaller airlines acting as feeders *for the principal international* services in and out of the UK.

A Manx aircraft loads at Belfast Harbour Airport.

The general belief on the island is that this would be disastrous for its business community, and particularly the financial services sector. Some companies bave already stated that if the Heathrow link goes, so will they.

The airline carries more than 60,000 passengers a year on the route, using a Viscount. The standard return fare is £130, with certain midweek day return tickets £20 cheaper. The success of the route has been important to the airline's performance.

Mr Tim Stevens, the commercial manager, says: "We are bopeful that common sense will prevail. The CAA report is now with the British Transport Secretary, the island's government, business community and *we ourselves have united and* mada our feelings known. We are hopeful that the recommendation will be rejected."

Manx Airlines is now thoroughly established commercially and will shortly announce record profits on its 1985 turnover of £10.4m. In 1984 it made £500,000 on £8.4m. When it launcbed in November 1982 its owners, British Midland and Air UK, were projecting first-year losses of £1.25m, which the new airline managed to cut to only £250,000.

A key factor was a *growing* fleet of Short 360 commuter aircraft—which are fuel-efficient and quick to turn round, *enabling fares to be pared to* the bone.

Manx also bas the low overheads of a small, locally-based *company, hiring such facilities* as servicing from its main shareholder (75 per cent), British Midland. Computerisation has enabled constant monitoring of profitability per seat and flexible pricing policies to seize market opportunities.

The basic apprach to routeing has been to time services to enable easy day return travel between the island and the principal destinations of London, Liverpool, Manchester, Belfast and Blackpool. Manx also operates the route between Liverpool and Belfast harbour, in the heart of the city, and this year bas taken over Liverpool-Heathrow from British Midland.

The *overall, year-round* loading of 67 per cent for 1985—budget was just over 60 per cent—*shows* just how well Manx has worked it out. What helped to achieva this figure was the *airline's success* in boosting discretionary, off-peak travel on its link with Liverpool.

This was introduced in 1985 *as the "farecracker" service to* compete with sea crossings by the Steam Packet Company. In exchange for booking restrictions, the fare dropped to *half-price* and 18,660 passengers took advantage.

When the Steam Packet stopped its daily Liverpool service last year, however, the £22 each way farecracker service took off, with 60,845 passengers. There was little evidence of a switch from other, regular flights. A similar performance is expected this year. The combination of sensible pricing policy and tight management control bas clearly paid off.

Indeed, *Manx* airlines' only real problem may well be its inability to control the weather. This can be turned to advantage — with the Short 360 unpressurised, the weather means that flying can sometimes be quite exhilarating — but there are problems if fog closes Ronaldsway.

In an age of all-weather landing *systems elsewhere, this can* make the Isle of Man look somewhat behind the times, as was the case earlier this month — *Friday the 13th*—when aircraft could not land and the terminal soon filled up with frustrated people, some of whom, then missed important connections.

However rare this may be, it *is as important in its way as tha* Heathrow link itself, a vital part of tha island's credibility. With links to the UK a principal *criticism of business newcomers,* it needs the attention of the island's government if confidence in the infrastructure is not to be dented.

IHF

Property

Some hope of prices moving

THE SMARTLY dressed young woman in the estate agent's offices in central Douglas was a *little apprehensive. How were* prices doing; was there the prospect of an increasa in values this year?

The young man was reassuring. Yes, he thought that the market was moving and there would be a modest increase in house prices *this year.* But his final flourish—"there's never been a better time to buy"—had a rather desperate edge to *its hackneyed optimism.*

Property values on the island have, like the population, been rather static these past few years when, *in some parts of* the mainland, they have been soaring ahead. Governmant concern in 1979 about any rapid expansion in the number of people coming to live on the island led to thoughts of restriction, bnt the prospect of artificially dampenad demand only put the brakes even harder on an over-supplied market.

Since February *of last year,* bowever, the Tynwald has resolved to attract more new residents, with incoming businessmen the *primary target.* As it takes some time for that policy to bear fruit — it can take 12 to 24 months for a company to complete the process of first thinking of moving to the island and actually moving in — its effects on property prices will also be delayed. Bnt there are already sgns of values at the upper end of tha market becoming *more firm.*

As more banking and financial services firms move in so the market in houses over £100,000 *is lifting.* While recognising that it is always possible to buy large properties cheaply in remote or depressed areas, Keith Kerruish, senior partner in Chrystal Bros Stott and Kerruish, dismisses thoughts that the Isle of Man is *any way similar to the property* markets of the depressed north of England.

"In many ways the island is a *bargain hunter's paradise,* offering exceptional value for money and, because it is so small, no part of it is *inaccessible to Douglas," he says.* All of which is good news for companies wishing to move in top executives, especially as they may *even have to stump* up part of the cost of ensuring that those employees bave an acceptably high standard of *lifestyle.*

But a situation where it is possible to buy substantial, well-maintained and well-sited properties at well below the cost of just rebuilding cannot go on for ever, believes Keith Kerruish, and where prices have been static, even at the top end, be expects them to rise by about 5 per cent this year. By recent Isle of Man standards that's almost a boom.

There are some new bousing developments taking place, executive bouses at Howstrake Heights, luxury flats at King Edward Bay, two to five-bedroom houses at Braddon Hills. It is possible to have *extensive* houses built, so, one way or another, there is ample choice for an incoming businessman.

There *is* also a helpful position at the other end of the market in that there is a plentiful supply of low-cost houses for first-time buyers, an important factor in keeping staff bappy. For between £20,000 and £25,000 *it is possible to buy a pleasant* small home.

The other primary property problem for an incoming businessman *is* the cost and availability of office or commercial premises. There is a number of new office developments taking *place and all, at the moment,* are attracting support.

An indication of cost is that the 15,000 square feet Heritage House davelopment in the prime business address of Athol Street will be about £10 per sq ft per annum. Stray only a few hundred yards from Athol Street, though still in the heart of Douglas and the rent may come down to only £6 per square foot for good class office accommodation.

However, as more companies move in then rents in what have been second choice sites scem set to rise, though an expanded business community will need expanded services. There are already grumbles about the lack of car parking spaces, but no complaints about the price of *60p per space per day.*

Both Douglas Corporation and the Manx Government are under constant lobby pressure to do something to alleviate the parking problem but it is likely the position will have to worsen before it gets better.

There is a feeling that if a company is in the financial sector, then it must be in Douglas, *but there are attractions to* both Ramsey and Castletown, one of them being office rents at £3 per square foot. Douglas, however, is set to retain its dominance, not least because it is also the most likely choice of any shipping and abip management companies which the island manages to attract in its latest expansion strategy.

There is *no major industrial* development taking place on the island, but a significant breakthrough occurred last year when B & Q, the *do-it-yourself store* subsidiary of Woolworth, obtained planning permission to use a 30,000 sq ft warehouse on *the outskirts of Douglas.*

Though in any case there are just not enough people on the island to *support* many superstore developments, the overall policy on the island has been *to preserve the traditional town*-centre shopping sites, though there *has been the usual* problem of keeping the small village store as a viable option.

The Heritage scheme will also have shops and an hotel aimed at the business visitor, and the Palace Hotel group, which has bean pioneering a major leisure complex next to its seafront site, is also involved in a joint venture with the Rigall family, local landowners, in the development of the Castletown Golf Links and Hotel.

Farms tend to be smaller in average size than on the mainland, about 120 to 140 acres, and prices never reached the heady heights experienced in England when institutional investors were also fanning the flames, and that also means they have not seen values drop *in the wake of over-production* and the imposition of quotas.

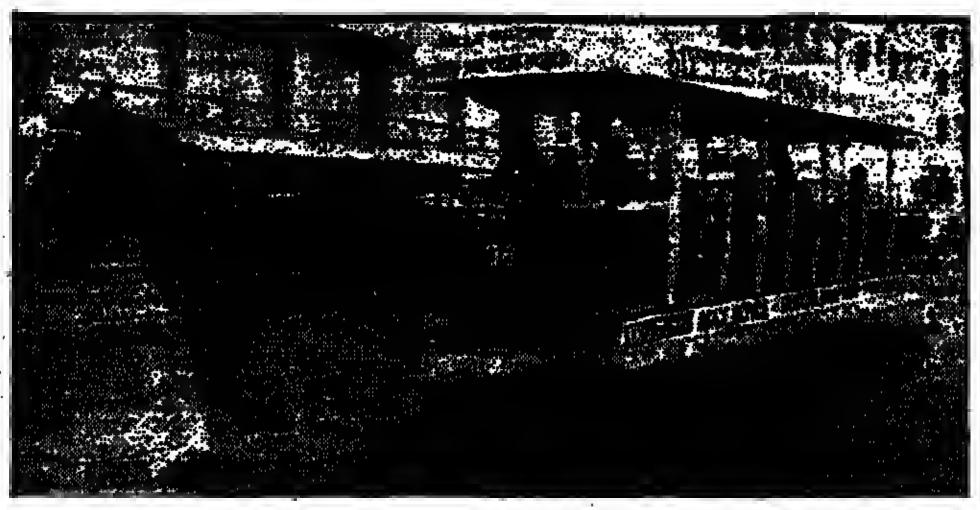
There are about 70,000 cultivetable acres, principally held by *grassland farmers, and the* price per acre is heavily dependent on the quality of the house and other buildings that go with it. It could fluctuate between £1,000 and £2,000 an acre, though only about seven or eight farms a year come on to the market.

As Keith Kerruish says, Douglas is not going metropolitan. But the signs of a strengthening future for the property sector are there.

Stuart Alexander

Tourism

Search for a more profitable market

Douglas harbour (left) and a horse tram on the town's central promenade—but traditional tourist markets which sustained them have dwindled

TOURISM, the Isle of Man's third-largest industry and provider of 11 per cent of national income, appears to be in a state of profound change. The implications are important and promise not so much a readjustment to straitened circumstances but realignment into a more profitable kind of market.

Confidence among key people involved seems highor now than at any time in the recent past. It is not merely optimism. People are putting their money in, investing large sums in some cases. It is not the behaviour expected of an industry that is supposed to bo dying on its feet.

No one is expanding the island's capacity for total numbers. That is apparent from the fact that the number of summer visitors per bed available is roughly constant at 27, which means that the amount of accommodation is contracting with the falling market. But what is changing quite obviously is the quality of accommodation that the island is offering.

The Isle of Man has lost large numbers of visitors from its traditional working class catchments in tho North of England, with the switch increasingly to Spain and other Mediterranean centres in tho last 25 years.

The island's boarding house economy has suffered accordingly, with this type of property now changing hands at poor prices, with few takers.

The Isle of Man's isolation probably meant a slow response to the trend, while at the samo time, the relatively high cost of getting to the island has made it difficult to follow the example of English seaside resorts and attract day trippers or long weekenders in substantial numbers.

But the island does have a uniquo selling point. Simply by being an island with its own laws and ethos it has the freedom to stage events that no mainland place can. The Tourist Trophy motor cycle races—beld on a 37½-mile road circuit round the island—are the most obvious example, but cycling festivals are another.

This year visitors for the TT fortnight in May-June were nearly 6 per cent up on last year at 12,240. Last week thousands of cyclists turned np for the increasingly popular Manx Cycle Week, the Milk Race winner among them.

Paul Gaskell of the Palace Hotel Group believes that tourism's future on the island lies in such special events, of which there are now 200 of varying sizes many involving sporting events, including boxing and rugby league matchea. The Palace, which is owned by the Clegg family trust, is in the vanguard of private sector investment and is backing its management'o beliefs with real money.

It is spending £2.5m to ecquire and develop the Golf Links Hotel at Castletown. Just as important, the deal resulted in the rescue of the adjoining Castletown links, in which the Palace Group now have an 80 per cent stake. Previously, fragmented ownership and disagreements had resulted in three boles being taken out of play, so that some of the others had to be played twice to get in o full round.

The course is now back to its full complement, money is being spent on the facilities and high-quality suites have been created out of some of the botel's larger rooms. Tournaments are already under way to attract golfers for short holidays and recent advertisements for a golf manager have brought in applicants from some senior figures in the game.

Mr Gaskell thinks it not immodest to compare the potential to that of Gleneagles or The Belfry, beadquarters of tho Professional Golf Association near Sutton Coldfield, in the Midlands, which also has a good quality hotel ot the centre of things.

Moreover, tho Castletown course—one of seven on the island—is a true links one. A tournament designed to give US professionals links practice just before tho British Open could be an important money earner and this is the sort of goal being aimed for.

This positive attitude is also reflected at the group's flagship establishment, the Palace Hotel in Douglas. This was for long the only accommodation anywhere near the standards expected by international business travellers, but in the past it often looked as though it was struggling to maintain them.

This encouraged high quality, but small-scale competition from Admiral Houso in Douglas and up-market apartments at the Cherry Orchard in Port Erin. Tho Palace'o response has been increasingly apparent during the last two years.

"Executive" rooms, new furniture, better decor, and a new manager, Mr Paul Hewitt, who was ottracted from hotel consultancy in London, are all part of the changes. So is the revamped grill room with its new chef, Mr Philip Atherton. Tho quality is excellent and total prices are very reasonable compared with London and Manchester.

More important for year-round performance, the Palece competes well with good island restaurants sucb as Boncomptes at Onchan Las Rosette at Ballasalla and Molyneux's at Port Erin. Indeed, the island as a whole competes well when it comes to fresh fish cuisine.

Some of the older hotels in Douglas are also investing. It may seem somewhat tardy to be now putting en suite bathroom facilities in all rooms—as is happening ot the Sefton—but for the Isle of Man this is a major move and something that both the Isle af Man Tourist Board and Chamber of Commerce think worth boasting about.

The Sefton bas also invested in a health and leisure club, though not necessarily to offset the effects of over-indulgence in its lunchtime carvery, one of its best features for some years now.

"We are following the market upwards, not so much moving up-market," says Mr Mike Savago of the Tourist Board. Recent colour supplement advertising has reflected the type of boliday customer who is the new target.

So far, and after many years of continuous decline, overall figures are bolding, with arrivals only 0.6 per cent down on 1985. Is tho trend levelling out? Mr Savage says that it is too early to say wbether rock bottom has been reached but the island is at least getting e feel for the size of its new tourism base and working out how to build on it with more confidence.

The special events could be the key, replacing the old summer trade, now more fickle and weather-dependent than ever, as the staple diet of the industry.

Ian Hamilton Fazey

Kipper industry

Success of the genuine article

FISH CONSERVATION is now thoroughly proving its worth to the Isle of Man where that traditional delicacy, the Manx Kipper, continues to thrive. This year's quota of herring, taken from the Douglas bank to the east of the island, is 4,660 tonnes, double the 1985 figure.

Herring become kippers when they are cured by exposure to smoke from a sawdust mixture of oak and other hardwoods. They are a quite different kettle of fish to the bogus "kipper" produced simply by dipping split herring in the food dye Brown FK, a process banned on the island to ensure that all Manx kippers are genuine.

Restrictions of herring fishing in the North Sea during the 1970s brought many more vessels into Manx waters. Modern technology was used to track down shoals and stocks were threatened as herring were overfished for barrelling during the spawning season in September.

"It was a free-for-all, with 240 boats operating and up to 28,000 tonnes landed. Many of us thought that stocks might never recover," says Mr Peter Canipa, senior partner in the island's largest curer, Deverau. Yet only 5 per cent of the peak plunder was actually needed to sustain the kipper industry.

The Manx government acted on the advice of Liverpool University's marine biologists, who have a research station at Port Erin. Fishing was restricted to June, July and August and limited during the most strictly-controlled years to 1,800 tonnes, mainly for kippering.

The first real proof that the policy had worked is this year's vastly increased quota. Mr Canipa, who over the years has ploughed back £250,000 into modernising his business on the quaysido at Peel, is delighted.

He employs 40 people in peak periods and will cure 40,000 stones of fish this year. Because kippers freeze perfectly, Deverau and the other three curers on the island will be able to supply the fish all the year round.

At Deverau the fish are split and cleaned, dipped in brine, and then mounted on racks and frames which are wheeled into modern kilns for curing. The kilns give quality control that is a dramatic improvement over the traditional sheds, where draughts, ash and blown dust usually spoilt some of each batch.

However, Mr Canipa, 47, has spurned o higher level of technology, refusing to consider the use of microprocessors, or even timers, to automate the process further. For him, the purpose of the kiln is to improve the quality and consistency of the smoke and ensure an even temperature of 35 deg C.

"How long it takes to cure a herring depends on the ambient humidity and how long the fish has been waiting to go into the kiln," he says. The usual time is between four and five hours, but it is a batch process. Curing times of successive batches get shorter as the day progresses and they dry out slightly in the queue for the kiln.

Deverau can process about 260 stones of fish in each batch. When Mr Canipa has bought a full day's capacity at the morning auction on the Peel quay, ho will work up to 22 hours overseeing the process himself observing the fish every 10 minutes and ensuring thet the racks are turned in tho kiln every half-hour.

He does this throughout the summer and puts his stamina down to a diet of fresh, raw kippers whilo the season lasts. As for quality, be has just realised tho marketing value of printing the words "No artificial colouring or edditives" across the boxes of kippers he exports widely.

Tho one piece of high technology he approves of is the microwave oven — in his view the finest cooker of kippers ever invented. For o quick pick-you-up, bowever, he recommends scraping uncooked kipper flesh into a bowl, odding a nob of butter, a squeeze of lemon, and one to three tablespoons of whisky. Mix into a paste and spread on hot buttered toast.

"You can only do that with a genuino kipper," Mr Canipa says proudly.

It is also quite delicious.

I. H. F.

Peter Canipa: firm "no" to microprocessors

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Lack of will on air fares

PERHAPS THE best thing that can be said about yesterday's meeting of European air transport officials is that it took place in Paris. A long-standing joke holds that any meeting to discuss the future of European civil aviation is best held in New York or Washington — European air fares are so high, the argument runs, that it would be cheaper to fly everybody to the US than attempt to meet in any European city. The joke is a good one because there is so much truth in it; everybody concerned with aviation in Europe knows that scheduled flights are much too expensive. What seems to be lacking is the political will to do much about it.

The European Court of Justice has done as much as it can by concluding last month that air transport is subject to the competition rules of the Treaty of Rome. Mr Peter Sutherland, the commissioner responsible for competition, has followed this up by preparing a letter threatening the national airlines with legal action unless the member states make significant progress towards liberalisation of air transport. The airlines' long-standing practice of fixing fares, sharing revenue and carving up capacity represent flagrant abuses of the competition rules.

Glaring omission

Mr Sutherland's letter, however, so far remains unsent. EEC transport ministers last week successfully called the commission's bluff when they failed even to discuss its proposals for liberalisation. The irony is that these proposals are so modest: the commission is not by any stretch of the imagination proposing effective deregulation. Indeed, the Dutch in particular are far from happy with the softly-softly approach being adopted by Mr Stanley Clinton Davis, the commissioner responsible for transport. It remains to be seen whether the UK, now represented by Mr John Moore, the new Transport Secretary and a strong supporter of market forces, will seek to persuade Mr Clinton Davis to harden his attitude.

From the UK and Dutch standpoint, the commission's proposals have one glaring omission: they fail even to discuss the crucial question of route access. Experience in the US, and to a limited extent with the more liberal bileteral treaties recently negotiated by Britain, is that effective competition depends on the ability of new entrants to challenge incumbent airlines. The Paris-London route, for example, although still heavily regulated and subject to capacity sharing, has benefited from the presence of a second UK airline—British Caledonian.

Legal proceedings

The commission's proposals on fares and capacity are not exactly scintillating either. It endorses a system of discount and deep discount tariff "zones" within which airlines would be free to set fares. This does not allow for real competition: when the proposal was floated last year, British Airways pointed out that 50 out of 52 of its cheap European fares were already below the lower limit of the proposed deep discount. On capacity, the commission says 25 per cent of the seats on flights between member states should be reserved for each flag airline. But why have any limit on capacity—why not let the more efficient airline gain as much market share as it can?

The fact that the commission's far-from-inspiring liberalisation proposals look like being rejected by a majority of member states is a worrying measure of the EEC's inability to live up to its ideals of a free internal market. On economic grounds, the very least the EEC should be aiming for is the adoption throughout the Community of bilateral agreements as liberal as that negotiated between Britain and the Netherlands. Even though this would fall far short of real competition, it would be leagues ahead of the fractional loosening of cartelisation which is all France and West Germany seem prepared to support.

If no progress is made at the next meeting of transport ministers, the commission should not hesitate to initiate what would be long and exhausting legal proceedings. Studies suggest European fares are up to twice as high as is warranted. This is a burden on European business and consumers that the courts will have to lift, if the politicians lack the will.

Spain chooses continuity

THE RETURN of Mr Felipe Gonzalez and his Socialist Government for a second term of office in Sunday's general election is a good result both for Spain and for Spain's European partners.

Mr Gonzalez has not quite repeated his sweeping victory of 1982. Nevertheless he has obtained enough votes and won sufficient seats in parliament to demonstrate convincingly that he retains the nation's confidence. Spain can now look forward to four more years of pragmatic leadership under a strong government, sure in the knowledge that democracy has been further consolidated. For the European Community, the result will provide welcome continuity and should ensure Spain's ability to introduce the necessary legislation for full integration.

It never seemed on the cards that Mr Gonzalez would lose. Yet, there was always the possibility, encouraged by the opinion polls, that the Socialists might end up as a minority government. Perhaps it was this prospect which made Spaniards plump for continuity. Mr Gonzalez has hung onto much of the middle-of-the-road support, so decisive in his first victory.

Populist campaign

Significantly, the main opposition party, Mr Manuel Fraga's right-wing Coalicion Popular, failed to make any inroads. Mr Gonzalez lost ground only to the former Prime Minister, Mr Adolfo Suarez, who fought an effective populist campaign with his centrist party, the CDS. On the left, the disillusioned socialist vote never materialised. The far left is now less strongly represented in parliament than at any time since Franco's death.

The opposition parties now have the chance to rethink their strategies and policies. Their campaign accusations of socialist arrogance in monopolising power will ring hollow if they cannot begin to offer credible alternatives.

Mr Gonzalez for his part has some important issues to tackle in domestic and foreign policy. Negotiations are shortly due to begin with the US over the future of the American military presence in Spain. He will have to tread a fine balance between his own natural instinct to preserve good relations with Washington and the need to appease anti-American sentiment in the country, articulated not least by Mr Suarez during the campaign. A commitment to reduce the US presence was Mr Gonzalez's sop to the anti-Nato lobby during the referendum earlier this year on continued membership of the alliance.

In this context Mr Gonzalez must be careful that in negotiating a lower US military profile in Spain he does not create the impression among his fellow countrymen that he is diluting any further his support for Nato. As it is, he is insisting on an arrangement whereby Spain stays outside the alliance's military structure and refuses to handle nuclear weapons.

Basque problem

At home the principal political concern must now be to handle the Basque problem. The elections have witnessed a resurgence of the radical grouping, Herri Batasuna, which acts as a political front for the militant separatist organisation Eta. This is a disturbing phenomenon since it is also accompanied by a renewed campaign of violence conducted by Eta. Mr Gonzalez had been relying on the gradual isolation of Eta supporters and a delicate process of closer co-operation with the conservative Basque national party, the PNV. He has no option but to continue with this policy, and the PNV must be made aware that it would be irresponsible if they were to become more radical themselves to protect their flank.

On economic matters, Mr Gonzalez must resist the temptation to reflate too early. He is under pressure to reward the loyal socialist vote in the trade unions whose members have borne the brunt of four years' austerity. Inflation remains above the European average, the public sector deficit is still high, and the economy has yet to record the full impact of the introduction of VAT this January. A dash for growth would aggravate the difficult problems of adjustment which Spain now faces in integrating its economy with that of the EEC. This process of integration is rightly Mr Gonzalez's main objective. He has renewed political and moral authority to achieve it.

UNITARY TAXATION

Time perhaps for a showdown

Clive Wolman looks at a dispute which is threatening to set Britain and Japan against the US

WHAT BEGAN as an arcane subject of interest only to the more cerebral corporate tax advisers is now leading to the most serious taxation dispute between Britain and America since the Boston tea party.

The issue of unitary tax, after festering for decades in the western states of the US, is coming to a head. The world's multinational corporations — the main targets of unitary tax — have mobilised the active support of their national politicians including Mrs Margaret Thatcher, the UK Prime Minister.

As a result, the dispute is now in danger of spilling over to a variety of other sensitive issues —the balance of US state and federal rights, trans-Atlantic and trans-Pacific trade relations and the structure of tax treaties that has been woven over the last 40 years.

The battle has increasingly drawn in governments. On one side, are western countries led by the UK and Japan, on the other, those US states which apply unitary tax and their potential Third World converts. In the middle is the US federal government, seeking to reconcile its support for state taxation rights with the protests of its trading partners.

At the heart of the dispute is the demonology of the multinational octopus, manipulating its accounts to switch its profits out of high-tax countries into tax havens. The tighter integration of the production and marketing operations of multinationals, combined with the growth of international trade, has multiplied the possibilities for confusing tax auditors.

The unitary method of assessing corporation tax was devised as an unconventional way of tackling multinational tax avoidance. It was first applied in the 1930s to combat tax avoidance by the Hollywood film industry. Companies would make their films in California and sell them at artificially low prices to distribution companies in Nevada which were subsidiaries of the same group. The result was that the company in high-tax California could declare a loss leaving the company in tax-free Nevada free to accumulate large profits.

The response of most tax agencies to this type of behaviour is to insist that all such transactions be priced on an arm's-length basis, as if they were between two companies under separate ownership.

But the Franchise Tax Board (FTB) of California followed a different approach. It decided to treat the Californian and Nevadan subsidiaries as a single, "unitary" company whose joint profits were a legitimate target of taxation. The share of the profits taxable in California would depend on the proportion of the company's Californian business activities. The proportion is calculated as the average of the ratios of a company's sales, real estate and payroll within a state to their worldwide totals.

Initially, the formula was applied only to US-based multinationals but over the past 20 years it has been extended to foreign-based ones. Ironically, the extension followed a court ruling in favour of an oil company which wished to be taxed on a unitary basis. At present about a third of companies, mainly smaller ones, pay less tax by being assessed on a unitary basis.

It was another decision of the US Supreme Court three years ago, upholding the right to tax on a unitary basis, that turned unitary tax into an international political issue.

Since then a steady stream of government ministers, diplomats and civil servants have descended on the Californian state legislature in Sacramento, abandoning the niceties of diplomatic protocol which normally limit their activity to sovereign states. There they follow a well-beaten track, in and out of the offices of the same, rather jaded politicians and officials, in and out of the conspiratorial groups that fill the corridors of the Capitol building with whispers.

In their wake come the lobbyists, the perks and the political campaign contributions. The unitary tax industry is so profitable for politicians and lobbyists, say some observers, that the politicians cannot afford to end it by voting through reforms.

A series of legislative initiatives, all of which narrowly fail, is the best way of keeping the issue on the boil and so swelling their political funds. Moves to repeal unitary tax for foreign but not US corporations are currently floundering because of legislative attempts to impose a pre-condition that the companies must withdraw from South Africa. Estimates that unitary tax will give California an extra $800m this year out of total corporation tax revenue of $4bn, compounds the difficulties of the supporters of repeal.

The faltering progress in Sacramento over the last three years is mirrored in Washington. There, a legislative initiative by the US federal government to force the state governments to abandon worldwide unitary tax, although not on the wholly US subsidiaries of multinationals, has become bogged down by legislative procedure and by constitutional issues concerning state taxation rights.

Meanwhile the clock is ticking away. A clause in the UK Finance Act last year may force the Government to take retaliatory action against the UK subsidiaries of Californian-based companies, or possibly even companies with significant sales in California. The trigger would be the failure to repeal unitary tax by the end of this year. The strong pressure from MPs, reinforced by the visit last week of an all-party Parliamentary delegation to Washington on this issue, will make it difficult for the Government to delay invoking the clause any longer.

The move would deny a tax credit on the dividends paid by UK subsidiaries to their US parents at a cost of up to £400m and in breach of the US-UK taxation treaty. It throws up the risk of retaliatory moves by the US to subject the profits of UK-owned subsidiaries in the US to double taxation, as several bills before the US Senate are now threatening.

The inequity of double taxation has always been the multinationals' main objection against unitary tax. Because wage rates and property values in California are generally much higher than elsewhere, its unitary formula tends to suck in a company's profits from the rest of the world.

The corporations also fear that spread of unitary tax to other countries, particularly Third World countries such as Nigeria and India. The simplicity of applying a standard formula is attractive for many tax agencies.

But if unitary tax is simpler for the taxman, it is more complicated for the taxpayer. For example, two UK companies, B.A.T. Industries and British Petroleum, have joined the lobbying against unitary tax because of the compliance costs it imposes, even though it means they pay less tax than under a seperate accounting method.

To establish that the multinational is sufficiently integrated to be taxed on a unitary rather than separate accounting basis, the Californian FTB will ask questions covering the entire range of the company's operations over many years. They can include anything from common recruitment policies and the interchange of staff between subsidiaries to their use of common data bases.

Once a group is deemed unitary, it has to recalculate all its profits around the world to conform to US accounting standards. Requests then might follow for subsidiary information on property values, payrolls in different countries and the movement of exchange rates.

Mr Richard Geneteill, US states tax specialist at accountants Coopers and Lybrand, believes that the hostility to unitary tax arises largely because of its arbitrariness and its conflict with the corporation tax rules incorporated in nearly all tax treaties. Other states such as Michigan impose harsher taxes which do not arouse hostility because they are seen as equitable, he says.

If the opposition of the multinationals to unitary tax goes well beyond its effect on their profits, so does the commitment of the Franchise Tax Board. Arm's length pricing, it believes, is an outdated fiction. The pattern set by the largest automobile and computer manufacturers, of producing specialist components in different countries and shipping them elsewhere for assembly, is spreading. With no external market for such components or for the technology and management systems needed to produce them, even the notion of an arm's length price is meaningless, the FTB says.

California has a reputation for being tough on tax avoiders and evaders. Mr Ben Miller, a leading FTB attorney, sums up the philosophy: "If my officers are agreeing all the points (in company audits) and not litigating any issue, I tell them they have to be more aggressive."

He, like Californian politicians, believes that the difficulties of using the traditional separate accounting system for taxing multinationals are compounded by the easy-going practices of some tax agencies, including the UK's Inland Revenue. They fail to pick up adequate information on companies' transfer pricing policies which would be useful both to themselves and other agencies.

Mr Miller points out that the Inland Revenue has only about 15 specialists in transfer pricing and has never taken any company to court over the issue. By contrast, the US Federal Internal Revenue Service has nearly 400 transfer price specialists.

The Inland Revenue says the comparison is misleading because it handles oil taxation separately and gives its district inspectors more responsibility. Revenue officials also believe that the abuse of tax havens and transfer price manipulation is declining. They say they are paying more attention at present to the exploitation of different corporate residence requirements which can allow a company to claim tax relief twice over on the same interest.

On this issue, however, the UK is more the odd-man-out than California. Other tax agencies have been broadening the focus of their transfer pricing investigations beyond tax havens. A multinational can save tens of millions of dollars by shifting profits from, say, the US, where the Federal corporate tax rate is 46 per cent, to the UK where the rate is 35 per cent, and by exploiting differences in accounting treatment.

The IRS, Revenue Canada and the Japanese National Tax Agency have recently taken the offensive against multinationals with a series of well-publicised investigations. Their auditors can instal themselves for months in corporate headquarters, scrutinising mountains of internal memos and other documents, a practice which is almost unheard of in the UK.

As a result, many British multinationals find they are challenged more frequently in North America, where their operations are smaller, than back home.

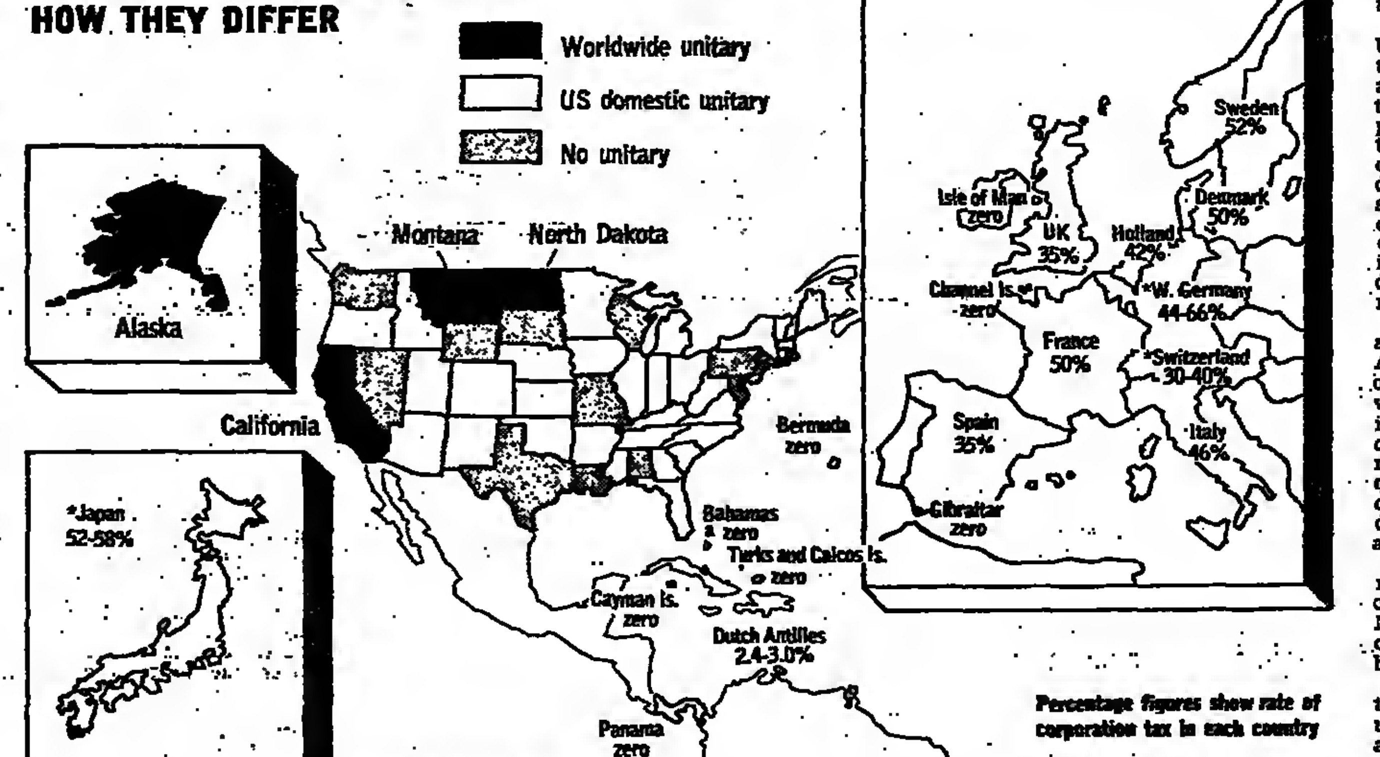
The Inland Revenue believes that its gentler approach, which usually relies on an economic analysis of a multinational's operations, not only imposes lower compliance costs on business but is just as effective in stopping tax avoidance as an IRS-style scrutiny of thousands of individual transactions.

But the very cost-effectiveness of the Inland Revenue's international corporate investigations suggests the loss of a large amount of tax. In 1984-85, the department brought in 50 times its costs in additional tax. By contrast, the ratio for the investigators of moonlighting was only about six to one.

Sadly for the UK, despite its low tax rates and benign enforcement regime, many US multinationals still view it as a high tax country. By contrast, California, whose GDP is larger than the UK's on some measures, continues to attract strong inward investment, although some multinationals have switched their investments to other American states.

According to Mr Jim Joyce, tax director of Castle and Cook, a large US food processing company: "None of our threats against California shakes the belief that this is an economy which calls the shots."

CORPORATE TAX REGIMES AND HOW THEY DIFFER



Source: Touche Ross Coopers and Lybrand

Percentage figures show rate of corporation tax in each country

*Including local and/or state tax

Leighton Morris

Men and Matters

Sears buys more Millett

A family saga to rival Dallas or Dynasty took a new twist yesterday when Alan Millett, chairman of the Milletts Leisure Shops chain, sold his 122 outlets to the Sears group (which has over 4,500 retail shops).

The deal not only makes Millett a substantial multi-millionaire on paper but also brings under Sears' roof another of the rival Millett chains that operate throughout the UK.

Millett shops, which now provide leisure and industrial clothing as well as camping equipment, were started at the turn of the century. But the four sons of the founder each went their separate ways, creating their own retail chains under the same name and selling roughly the same type of merchandise.

Sears acquired one of these chains a few years ago and yesterday added another, although there still remain a number of other Milletts around the country run by various branches of the family who appear unwilling to give up their independence.

One problem for Sears is that the Milletts it took over yesterday has two "t's" in its name, while its existing chain has only one "t"—a legacy of some of the family feuding of the past.

Geoffrey Maitland-Smith, Sears' chairman, was decisive yesterday about what to do with one "t" too many: "We'll spell it with one "t," he told me. "It makes the shop fronts cheaper."

Oklahoma OK

As they are saying at merchant bankers Morgan Grenfell: "Oklahoma OK." Two of Morgan Grenfell's men, Lord Pennock and Sir Peter Carey, former Department of Industry permanent secretary, have just signed up the American state as their latest client.

The Oklahoma operation is headed by State Governor George Nigh, who is in London to talk with Morgan Grenfell after a mission to develop oil and gas export markets in China and India.

Oklahoma is hungry for overseas investment and is looking to Morgan Grenfell to point the way to it from the UK and Europe. Nigh commissioned a report from Lord Pennock and Carey and obviously liked its recommendations. He said: "We are aware of the intensity of competition for investment and we have decided that it would be appropriate to appoint a pre-eminent merchant bank to assist us in achieving this object."

How well do Pennock and Carey know Oklahoma? Morgan Grenfell said yesterday: "Lord Pennock has been there, but not Sir Peter. But he will be spending some time there in the near future."

Carey has been an executive director of Morgan Grenfell since September, 1983, a few months after he retired from his government post at the age of 60.

Sorry I'm late—the Treasury insisted I came by train

Benign bookies

An English summer does strange things to people, even bookmakers. William Hill's decided after the England-Argentina World Cup match to pay back money to losing punters—all those who put their money on a draw.

"We believe with the Sports Minister that it was a moral draw after that hand-ball goal by Maradona," says Hill's Graham Sharp. "Of course, this is a one-off move. We don't want anyone to regard it as a precedent." How much they will pay back isn't clear yet, as the figures are not yet in from 900 betting shops, but it will be well into five figures.

For punters still interested, Hill's odds for the last four are Argentina 6-4, France 7-4, West Germany 4-1, Belgium 6-1.

Royal rage

Though the monarchy is long gone, monarchists are still not without influence in France.

The Duke of Anjou, main descendant of the Bourbon kings and a figure of some veneration among royalists, has just successfully waded into a controversy over the ministry of culture's "over republican" policies of theatrical support.

After protests from the Duke—and a few rowdy scenes to which the police were called—a play being staged in the Chapel of Repentance of Louis XVI in Paris's 8th arrondisement has been taken off.

The Duke presides every year at a solemn mass in the chapel in memory of Louis' death on the guillotine in 1793—and protested that its choice as a stage for a modern play of family life with an incestuous father and nymphomaniac mother was "degrading."

Even worse, in the Duke's eyes, was the fact that the play was subsidised by the government as part of the policies of Jack Lang, flamboyant Minister of Culture in the previous Socialist administration.

Liberal right-winger, Francois Leotard, Lang's successor in the Chirac government, had already run into flak over his decision to allow completion of a Lang-backed project under which the courtyard of the former Royal Palace is being littered with black and white striped pillars.

Though the play has been stopped, the Duke says that the chapel has been profaned—and monarchists will gather there next month for a special mass in reparation.

Flying fish

Fish have never stirred quite the same zeal in animal liberationists as, say, deer or foxes.

Things may be changing. A recent Cathay Pacific advertisement portrayed a leaping salmon, noting that the next time this particular fish "flew," it would be as the filling in a sandwich aboard one of the airline's flights.

The intended connotation of freshness was lost on one man who wrote to the Advertising Standards Authority, complaining that the ad was "offensive to fish." The ASA smartly replied that such an offence was outside its remit.

But the ASA is believed to be devoting further investigative time to another complaint concerning the same ad—that the fresh salmon advertised was not in fact available on every flight.

Discredited

A reader, returning to England from the US, used his credit card to buy duty-free goods aboard the Richard Branson-owned aircraft.

He has since had some difficulty explaining to his wife why his credit statement records a charge of £26.50 for "Virgin in flight S. Crawley."

Observer

Letters to the Editor

The Tories, South Africa and sanctions

From Sir Ralph Bateman,

Sir, — I think that the leader "The Tories and South Africa" (June 16) states the situation both incorrectly and unhelpfully.

You say "The questions are becoming: what sanctions, for what purpose and how should they be conducted?". In my opinion these are not the correct questions.

We should ask "What policy or policies are likely to bring about the changes which we desire to see in South Africa without unacceptable sacrifices in South Africa, in other countries in the continent of Africa and in the rest of the world?"

One of the policies to be considered is one of partial or total sanctions. In my view either partial or total sanctions would not meet the requirements of the question because they would inflict unacceptable sacrifices and they would not succeed. There can be no doubt that South Africa has already prepared itself to meet sanctions and that it is ready to accept a substantial fall in the standard of living for all sections of its community rather than give way; meanwhile we would see chaos and disaster throughout the African continent.

We initiated a policy of sanctions against Rhodesia primarily to hurt Ian Smith. Surely all experience has taught us not to repeat the same error against Botha.

It is extremely difficult to find a policy which will bring about, or help bring about, the end of the detestable system of apartheid in South Africa, but that is no reason for trying a policy which cannot succeed. We cannot avoid responsibility for our actions; are we prepared to accept the terrible consequences which are sure to follow a policy of sanctions.

There is a great danger of this becoming fully a political argument whereas it should be completely outside party politics if there is to be any hope of finding an acceptable solution.

(Sir) Ralph Bateman,
2 *Bollin Court,*
Macclesfield Road
Wilmslow, Cheshire.

The problem of dumping

From the Chairman,
British Clothing Industry Association.

Sir,—There has recently been much erudite and detailed comment in your columns on the problems of dumping and how the EEC attempts to deal with it.

This debate has illustrated not the complexity of the subject, but also how exceedingly difficult it is in practice to bring a successful anti-dumping action. While it may appear to be blatantly obvious that the export price of a product is less than its domestic price, it may be impossible to gather sufficient evidence of that domestic price to satisfy the EEC Commission. Equally, while there can be no doubt that such an export price is causing damage to EEC industry, stringent conditions have to be met in order to prove that material injury has taken place.

Even if one does establish dumping to the satisfaction of the EEC Commission, the time that will have elapsed from the opening of a case to its conclusion will have meant such a degree of material injury that companies may have stopped production or even gone out of business.

It should surely be a major priority of the EEC in approaching the new Gatt round to examine the whole issue of unfair trading practices—and dumping is but one of them—and to devise a system of simple and speedy measures to deal with them. If this is not done countries will continue to adopt other safeguard mechanisms.

Norman Sussman,
7, *Swallow Place, W1.*

Rumblings from rotting rubbish

From Mr P. Kreamer

Sir,—Joan Gray justly gives credit to Ove Arup's ingenuity in solving the problem of the Stockley Park rubbish tip (June 16). Nevertheless it must be acknowledged that the developers would rather not have had the problem in the first place.

Sadly they and others are likely to run into more and more raw rubbish when developing sites around our cities because the tipping method of disposal is still the main means employed in the United Kingdom. The resultant "land filling" is clearly an economic time bomb if not an ecological one.

On the continent, of course, they burn it: extracting the equivalent of one tonne of coal energy from every three tonnes of rubbish. Reboilering some of our older city centre power stations would achieve these dual benefits for the United Kingdom.

Peter Kreamer.
39 *Bell Lane, Eton Wick,*
Windsor, Berks.

Financial Services Bill

From Mr G. Ratcliffe

Sir,—I find it appalling that a Bill that is supposedly to protect the consumer is about to go on the statute book without the vital ingredient necessary to do the real job of consumer protection.

Michael Howard, the Minister that he did not intend that ing a level of competence from all who derive income, in whole or in part, from the arrangement of life assurance and pension schemes. His reason is pressure from banks and building societies. It was my understanding from the same minister that he did not intend that this Bill would create cosy cartels and that he would not yield to "vested interest pressures."

The Minister, having given in to the "vested interests," has really set the scene for the continuance of poor/bad advice to the consumer, and is really saying that some action will be taken after this poor/bad advice has been taken by the client who will have lost value. I think something about closing stable doors is appropriate. I feel that it is time the consumer had a say, otherwise we will have yet another Act of Parliament which will not do the job intended, but simply increase the costs to the consumer it was hoped to protect.

In short, the whole of the life assurance and pensions industry is legislated for already, i.e. invesments, policy conditions, methods of accounting in balance sheets, etc. The only item which really needs attention is to ensure that the persons explaining the various contracts on offer are competent to do so and that if they do not do so honestly, then their livelihood should be at risk. The only way in which to do this is by registration/licensing, call it what you will, so long as the consumer has real protection.

No wonder the "vested interests" are opposing the registration/licensing. If this was to be introduced, it would mean that they would require to train their people in much more depth than they do now. They would not have as much freedom and could always blame the employee as they do now.

If the Minister still insists on ignoring the real issue, then I would hope to see the consumer organisations making representations along the lines suggested. In fact I am most surprised we have not heard from them before — maybe they have come under the influence of vested interests as well.

As one who has dealt with complaints from consumers on life assurance and pensions I would simply add that the majority of these complaints have arisen out of the incompetence and poor training of the person who made the sale in the first place.

George Ratcliffe,
6 Brooklands Road,
Brooklands, Sale, Cheshire.

Current fashion for takeovers

From Mr N. Soames, MP.

Sir,—I read the articles by David Goodhart and Charles Batchelor (June 16) on the bids for two UK engineering companies with particular interest, since one of these companies is a major employer in my constituency.

It was disappointing that the article on Siebe and APV was little more than a repetition of the case for each side, and made no attempt at analysis. It certainly demonstrated little understanding of the situation in which the UK engineering industry finds itself—or of the long-term dangers implicit in the current fashion for takeovers.

The sector's problems have been well publicised. From a 1980 index of output of 100, the output of UK engineering and allied industries fell to 91.8 in 1981, and had only risen to 103.9 by 1985. Contributory factors have been the UK's diminished competitiveness, coupled with the success of developing countries like South Korea at the heavy end of the industrial spectrum.

But the modest growth to date achieved by British companies conceals, in very many cases, major successes in rationalisation, reorganisation and investment for the future, to the point where companies are now well-placed to prosper on a sound and profitable basis.

This achievement, however, is at least in some instances under threat from the new breed of industrial predators for whom a bull market has made the acquisition of specialist companies an easy and comparatively riskless route to growth. The argument deployed is invariably that the predator's management has been better at producing growth than that of the victim; and figures can usually be produced to support the argument. But can we trust the figures?

Acquisition accounting is an inexact science; and it is easy to produce the illusion of growth simply by writing down fixed assets and stocks and making provisions against assets. Decreased depreciation charges and apparently increased margins on the sale of existing stocks can do wonders for the profit and loss account —as can the slashing of the R & D expenditure — but are hardly a sound basis for future growth. And they can be highly destructive to companies like McKechnie or APV, who operate at the high-technology ends of their fields.

The threat for the engineering industry is that when the next real market crunch comes, many excellent firms will have been starved of real investment in the interests of financial window-dressing; and that those talented managers who have brought the industry back from the brink will not be around to pick up the pieces.

Few would wish to throw away the very real benefits of a sound mergers and acquisition policy. Until predators are prepared to come clean on their accounting policies—and to reveal the true extent to which their growth records are based on improved industrial efficiency rather than on ingenuity in financial reporting—there must be a real suspicion that our engineering industry is becoming an alarmingly unstable structure, liable to collapse under the weight of the next bear market.

Some of our most perceptive financial journalists have called for more satisfactory disclosure from the Siebe and Evered in particular. It would be reassuring to know that institutional investors — who are, after all, responsible for the long-term management of their clients' assets — were also trying to get at the facts.

Nicholas Soames.
24 Durand Gardens, SW9.

Strengthening the regions

From Mr P. Ford

Sir,—Your article of June 18 concerning the regions struck several chords with those of us based in Yorkshire. Excluding Scotland, Northern Ireland and Wales, areas outside London and the south east have little political clout. Investment pours into the south east. The Channel Tunnel, Canary Wharf and Stansted Airport are recent examples, but each project creates the arguments in favour of the next one. Our MPs seem powerless to do much to help since between looking after constituency members and debating national issues, the economic health of the regions gets little attention.

It cannot be healthy for our country to have one properous corner with the rest in relative decline. Countries like the United States, Germany and Switzerland organise their affairs better and ensure that power and wealth are more evenly spread. They have the political mechanisms to promote this in the form of decentralised government.

P. J. Ford,
(Immediate Past President).
Sheffield Chamber of Commerce,
Commerce House, Earl Street,
Sheffield.

Commercial property values

From Mr M. Oakeshott.

Sir,—Lex's note on British Land (June 19) says "the latest findings suggest that unfashionable older buildings are losing their value at an alarming rate." Quite the reverse — the latest findings, by which presumably Lex means the Calus research report on depreciation of commercial property, confirm what professional buyers of high-yielding property have known for some time: the alarming falls in value come in the first few years of the life of the fashionable "prime" new office blocks and industrial estates which the institutions have been developing or buying at dangerously low yields.

Like a car, offices and industrials suffer the worst depreciation in their first five or 10 years; but unlike a car, many older industrial buildings, in particular, in the right locations throughout the country, are perfectly serviceable with very modest refurbishment expenditure for many decades, and provide an excellent combination of high yield and satisfactory rental growth off a low base if bought secondhand after the alarming falls in value have happened.

Matthew A. Oakeshott,
Aubrey Investments,
10-12, Cork St., W1.

Future employment trends

From the Associate Director,
Institute of Manpower Studies.

Sir,—Your leader (June 16) about the IMS study of future employment trends misrepresents the basic assumption underlying the forecasts. The study focused on employers' plans and expectations regarding employment over the period to 1990 together with the underlying causes, be they due to changed working methods, the introduction of new technologies or changed market conditions. In so far as the study sets out past trends, this is to show how they compare with their historical counterparts. In some cases employers expect future trends to be a continuation of the past, in others they see a marked change. The report itself sets out the reasons for such assessments, and shows that the national picture is clearly not simply an extrapolation of the past.

Richard Pearson,
Mantell Building,
University of Sussex,
Falmer, Brighton.

Three years of French-German relationship

From the Secretary,
Association pour Defendre la Memoire du Marechal Petain.

Sir,—I refer to the article on Marshal Petain (April 26) by David Marsh. Since the British are champions of fair play, I would like to refute certain affirmations which could cause your readers to make errors of judgment.

You say that the Marshal led the French "in servitude and surrender." In fact, there was no capitulation. The French army did not surrender to the enemy in 1940 in the true sense of the word. It demanded and obtained an armistice—"a negotiated suspension of arms." "Capitulation" is an act of ignominy: "armistice" is a convention under which belligerents decide to suspend hostilities.

The Marshal did not lead his compatriots in servitude. At the liberation in 1944, France was structured, strengthened and upright. Regional and departmental commissioners in the provisional government found official services organised and in activity.

If Petain had allowed his country to fall into servitude, why did he receive a letter from Ribbentrop, written on November 29 1943, who said: "When one looks at the last three years of the French-German relationship, one cannot contest that hopes (of fruitful collaboration between the two countries) have been only partly realised and that measures taken (by the Marshal), unhappily, too often resulted in collaboration being made more difficult."

How could you claim that "the government of Vichy actively aided the Germans to round up, deport and kill tens of thousands of French and foreign Jews" when the occupiers themselves indirectly paid homage, through their severe and terrifying warnings on the subject, to the patriotic and humane reactions of the French government.

In his recent book, "Le Role de Vichy dans la solution finale de la question juive," Serge Karlsfeld quotes SS Obersturmfuehrer Schmidt writing on August 24 1943 that "the attitude of the French practically cancelled out dispositions (we had) made."

The head of the SS, Hagen, confirmed the next day that "refusal of the law, already signed by Laval, triggered extreme surprise." Hagen also wrote to his superiors on August 31 1943 that "another department of the Justice Ministry has been wound up because it was working with too much sympathy for the Jews and was too slow in taking away their nationality."

I would like to confirm that our association is rigorously apolitical and that, in our ranks, are to be found people of all backgrounds, confession and personal inclinations.

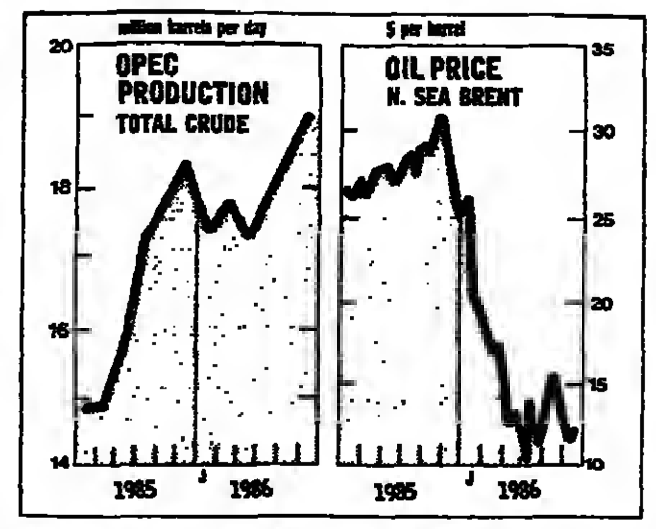
Rene Minguet.
6, Rue de Morengo, 75001 Paris.

OPEC

The elusive consensus

By Francisco R. Parry

OPEC MEETS in Brioni, Yugoslavia, today to see what it can do about raising and stabilising oil prices, preferably with the help of some key non-Opec producers. The prospects for agreement on effective measures are dismal, and this is very curious indeed, because for the first time in many years (if not ever) there are few exceptions to general agreement both within producing and consuming countries, in OECD and Opec, that a price of between $15 and $20 per barrel over a substantial period of time would be about right.



Within Opec, the majority is now prepared to accept this as a reasonable goal. Certainly the Saudis are intent on it, provided they get their share of the market. Ultimately, what they are after is growth for the market as a whole; what has driven them to their present corner is the fact that at $27 to $30 per barrel (a line held more or less firm by them for several years), the market kept on shrinking despite perennial promises of jam tomorrow. Opposition in Opec is pretty much confined to three members (Algeria, Libya and Iran) who prefer to take a quarter of a loaf under protest rather than agree to half a loaf forever. But in any event the three have not in the past been noted for their assiduity in observing quotas, and consequently their assent to any scheme put forward by the majority might not be regarded as essential.

In the United States, the number of drilling rigs active has dropped below 900 (compared with over 2,000 two years ago) and President Reagan's delight at seeing the Soviet Union's export earnings from the West slashed 50 per cent by the fall in oil prices must surely be tempered by concern over the longer-term outlook for domestic supplies and the plight of the US oil industry. Other important producers, not all of whom are quite as overcome with joy at Soviet discomfiture, will face budgetary difficulties of varying severity, and the debt-ridden ones are well and truly trapped between a rock and a hard place. Of perhaps even greater importance, because they are more numerous and because their interests might seem to lie unequivocally with the lowest possible prices, are the major net importing countries. They are still basking in the unexpected sunshine of lower oil prices, but do not now want even lower ones to overstimulate demand and depress long-term investment in new supplies: that is a recipe for another price-crunch down the road.

Why then is Opec unable to exploit this remarkable congruence of interests where nearly all are for once agreed on the desirability of a certain price level? Part of the answer is the need for more time between perception and action; part of it is ideology in the US and Britain tending to gum up the thought-process; but an important part is that Opec is rushing up the wrong track.

The organisation can either fix production levels and let price find its own level (then perhaps try some fine-tuning); or it can fix price and let production find its own level. Ever since price stopped rising spontaneously in response to market demand (say around the beginning of 1981), Opec has tried the latter system: it fixed price, let non-Opec production surge ahead and overall demand find its own level. The fact that there were production controls and quotas tended to create the mistaken impression that overall Opec production was being limited; it wasn't. The quotas were merely a mechanism for sharing out the residual world demand, left over after non-Opec had eaten its fill, and were necessary to correct anomalies that arose from time to time when some member countries got their price-differentials wrong (one or two became masters of mis-timing on this).

The system broke down because the price was too high, not because it was a bad system. The fuel oil market was virtually assassinated (demand in the OECD area dropped by 4m barrels per day or almost half between 1979 and 1984) and demand for most other products declined slightly. At the same time, there was a massive increase in non-Opec supplies of oil and other forms of energy, encouraged by the Opec price-umbrella. To cap it all, most member countries left Saudi Arabia alone to carry the burden of price-maintainer and production cutter of last resort.

The price has now come down, perhaps a bit too much, and threatens to go down further as competitive netback deals—contracts where the price of crude is tied to spot product prices in the markets—lock into a downward spiral of spot product prices. Opec now seeks to remedy this by switching from price controls to production controls—by limiting its own production and persuading non-Opec producers to limit theirs.

Limiting production of a commodity for which short-term demand is notoriously inelastic is a mug's game. In a market where no one even knows what happened two months ago, demand would have to be estimated with some precision over the next few months. In practice, the ceiling set on production levels would either be too high, in which case the price would fall further; or too low, in which case the price would shoot out of control again. And the unpredictability of the effect of quarterly or semi-annual production limits is likely to make stock changes a destabilising factor, as companies de-stock in anticipation of a price decrease (making the decrease worse), or stock up in anticipation of a price increase (making the increase worse). Trying to calibrate world-wide production to a desired price level is a waste of time, and the sooner Opec gives it up, the better.

Instead, Opec should now return to its price-fixing role, at the lower level (somewhere between $15 and $20 per barrel), and with the proviso that Saudi Arabia not be left alone to do all the work (a role it won't accept any more anyway). Then it should simply wait and see for a year or so whether the price decrease does in fact stimulate demand (it should certainly ignore the last two months of high liftings—which are probably de-stabilising stock movements). In its price-fixing role, Opec should set a base price backed up by internal quotas which would act as a safety net for those who peg their differentials too high. Some new ingredients could be added to the mixture as before; for example, the base price could be some composite or average crude to de-link it from a specific crude which involves, inter alia, questions of national sovereignty over price as well as other difficulties. In addition, quotas could be set as a percentage of overall Opec output with errors carried over for later retro-active adjustment. Opec's growing production of natural gas liquids should also be brought into the net. But, regardless of minor improvements, the essential lesson to be learned is that a past overdose should not deflect Opec from judicious use of the medicine in the future.

Paradoxically, price fixing offers Opec a slightly better chance of influencing non-Opec to exercise some self-restraint in production than does a production limitation system. Price-fixing has the great advantage of showing almost immediately that Opec can deliver the goods (a condition on which non-Opec would insist before it co-operates); Opec should also at the same time deliver a few harsh reminders that non-Opec helped bring down the price last time through its lack of restraint, with obvious lessons for the future.

The author is former secretary general of Opec and is now managing director of Energy Economics Research Ltd.

FINANCIAL TIMES

Tuesday June 24 1986

$1.5BN SALE UNDERLINES ENERGY SECTOR RECESSION

Tenneco sells insurance interests

BY WILLIAM HALL IN NEW YORK

TENNECO, the Houston-based conglomerate which has been hit by the slump in the oil and gas industry, is to sell its insurance operations for $1.5bn to ICH, an insurance group based in Louisville, Kentucky.

The decision to sell one of the more profitable and larger parts of its operations underlines the effect the current recession in the oil and gas industry is having on Tenneco. Although the company's profits did recover in the first quarter, its earnings of 73 cents a share were not sufficient to cover the dividend, and Tenneco has been under pressure to reduce its debt burden.

Tenneco, whose interests range from shipbuilding to farm equipment, in addition to its extensive oil and gas operations, refused to elaborate on the reasons for the sale, except to say that it "plans to utilise the proceeds primarily for the reduction of outstanding indebtedness."

In the past, Tenneco officials had indicated to Wall Street analysts that they might sell part of the company to preserve the group's financial flexibility. There has been considerable speculation that Tenneco might be forced to cut its dividend because of the impact of lower oil and gas prices on its important energy operations. However, Tenneco officials have stressed in recent months their commitment to maintaining the dividend.

Tenneco shares rose $¾ to $41 in early trading on Wall Street yesterday.

Tenneco first entered the insurance business in 1952, and its operations accounted for $1bn of the group's $15.3bn revenues. It employed 3,500 of Tenneco's total staff of more than 100,000.

The businesses being acquired by ICH are Philadelphia Life Insurance and Southwestern Life Insurance, both of which are engaged in ordinary life insurance, Philadelphia American Life Insurance, which sells group life, accident and health insurance, Southwestern General Life Insurance and Security Life Insurance Company of Georgia, both of which underwrite and market individual life and health insurance, using the home service system of marketing.

ICH, which had revenues of $1.5bn and assets of $3.8bn last year, says that the Tenneco acquisition will roughly double the size of the group.

Mr Robert T. Shaw, ICH's chairman, said yesterday that the acquisition was in accordance with the group's "continuing strategy of acquiring established insurance companies that complement ICH's existing insurance operations."

World airlines warn of squeeze on profits

BY LYNTON McLAIN IN GENEVA

INTERNATIONAL scheduled air services are set to run into the red next year. The International Air Transport Association (IATA) forecast yesterday that the possible losses of its 144 members could total $100m.

For the current year, Iata is forecasting an overall profit of between $200m and $500m. But, it warned yesterday, a 1 per cent reduction in yields from sales of passenger tickets could wipe at least $400m off the profits total. And the continued fall in the value of the dollar meant that the profit on ticket sales was declining.

This was happening at a time when airlines throughout the world had big re-equipment plans to finance.

In addition to the falling dollar, airlines had also been hit by fears of terrorism and by the Soviet nuclear power plant disaster at Chernobyl.

Dr Günter Eser, the director general of Iata, said that results would be "depressing and airline carriers would be happy to break even this year." Iata airlines made a $600m profit last year, about the same as in 1984 on revenues of $41.4bn.

"We did not know that Chernobyl would explode and there was no way we could estimate the impact of terrorism on airline business at a time when airlines had already planned extra capacity," Mr Mike Brown, assistant director of management information at Iata, said.

On North Atlantic air routes, scheduled passenger traffic in the first three months of this year was 3.2 per cent up on January–March 1985. Airlines increased their capacity by 7.3 per cent over the same period. Airline load factors, the proportion of seats filled, fell to 57 per cent in April, a drop of 14 per cent, from 12 months earlier.

US and Canadian airlines introduced the greatest increase in capacity by flying 20.8 per cent more seat miles in the first quarter than a year earlier, against increases of only 6.1 per cent by European airlines and 4.4 per cent by other airlines.

The last time airline capacity matched scheduled international passenger demand on all international routes was in late autumn last year. Since then, capacity has continued to increase while passenger demand has continued to fall. "The gap between growth in capacity and in traffic is growing at a very high rate," Mr Brown said. The airlines face difficulties over maintaining yields despite a 30 per cent average decline in the price of aviation fuel.

This drop in fuel prices has led to Iata members' spending between $1.8bn and $2bn less on fuel than budgeted for this year. This reduction was a "windfall," Iata said.

Dr Eser said, however, that the terrorism threat and Chernobyl could more than offset the drop in oil prices.

Not all airlines had experienced a fall in the price of their fuel. "We have identified over 60 places where aviation fuel prices have stayed remarkably high and there are a dozen places where fuel prices have hardly dropped at all and are higher than current spot oil prices," Dr Eser said.

He added that Iata was considering starting its own "in-house" aviation insurance company to cut costs. Insurance premiums paid by airlines had doubled in three years to $1bn last year.

Iata members still had $800m of remittances from fares blocked around the world by countries reluctant to let airlines have access to their money. The total was about the same as last year but this remains a problem for the airlines, Dr Eser said.

Iata is also considering recommending to airport authorities, governments and airlines that passengers should be allowed only one item of carry-on baggage on a flight, as a way of tightening security at airports, where the costs of countering terrorism had now become "incalculable," he said.

IRI paves way for sale of steel works

BY ALAN FRIEDMAN IN MILAN

EXECUTIVES from Italy's IRI-Finsider state steel group were last night meeting a consortium of private steelmakers to put the final touches on a large-scale privatisation of part of the Cornigliano works near Genoa.

The privatisation, which could see 80 per cent of the Cogea bloom and billet works at Cornigliano in private hands by 1988, is seen in Italy as a possible model for a much wider restructuring of the country's troubled state steel holdings.

The Cornigliano privatisation plan calls for the sale of control of Cogea – a division which last year produced 305,000 tonnes of steel – to a private consortium led by Mr Luigi Lucchini, the Brescia-based steel magnate who is also president of Confindustria, the Italian employers' association.

Mr Lucchini, together with Mr Emilio Riva and Mr Dario Leali (two other private steelmakers), would acquire an initial 46 per cent of Cogea, rising to 80 per cent in 1988. Cogea is in the process of modernising its production of blooms and billets by introducing two new continuous castings machines. Cogea hopes to reach capacity of 1m tonnes a year by the end of 1987.

The troubled Cornigliano works are part of the lossmaking Finsider group, which last year suffered a L950bn ($610m) deficit. Steel losses represent two-thirds of the total annual loss at IRI, the state holding group.

Cornigliano suffered greatly after EEC quota reduction orders in 1983, as have the two other main state steel works at Bagnoli, near Naples, and at Taranto in the Apulia region. Cornigliano has been divided into two parts, the Cogea division employing 1,600 of the total 4,050 workers at Cornigliano.

For the private steelmaker, Cogea's integrated iron and steel facilities could prove a more economic source of semi-finished products than the process most commonly found in the Brescia region of Lombardy, where scrap is re-melted in electric furnaces.

For the IRI-Finsider group, still unable to take advantage of huge capital investments made at its Bagnoli works in the 1970s because of EEC quota restrictions, transferring part of Cornigliano to private ownership would mean getting rid of at least one burden.

In addition, IRI appears increasingly interested in a policy of selling minority stakes in healthy companies on the Milan stock market and selling majority stakes of lossmaking subsidiaries directly.

The private buyers of Cogea are likely to offer up to L72bn of investment, this being the amount of money paid previously by the state in compensation to private steelmakers who suffered lower EEC quotas.

The final valuation of the Cogea part of the Cornigliano works would be made in 1988.

US seeks to delay $500m loan to Brazil

By Stewart Fleming in Washington

THE US is seeking to delay a $500m agriculture loan to Brazil because of fierce opposition to the credit from powerful farming state interests on Capitol Hill.

It is the second time in a week that the US has sought to block a major World Bank loan to Brazil.

Last week the bank approved a $500m loan for the expansion and modernisation of Brazil's electric power facilities over US objections thet environmental problems remained to be solved. Both loans, for about $500m each, are the largest in the bank's history.

Although the US has succeeded in convincing the bank's directors to delay consideration of the agricultural loan, bank officials believe the project will be approved on Thursday and that the US only wants to delay the process until troublesome congressmen go on holiday.

The US stance has caused consternation among bank officials and other industrial countries. They point out that the structural reforms envisaged under these loans, are precisely the sort of economic adjustments aimed at improving the efficency of developing country production which Mr James Baker, US Treasury Secretary, has urged the World Bank to embrace.

However the US appears to be in e difficult position. On the one hand, Mr Baker's plan to stimulate Third World growth through World Bank financed economic reforms will tend to make developing countries more efficient competitors and exporters as the countries seek to earn more foreign exchange to service their international debts.

But on the other hand, with midterm congressional elections approaching and the US farm sector deep in recession, the Administration is vulnerable to political pressure from its supporters on Capitol Hill up for re-election.

In the longer term, the Administration can argue that making politically controversial loans of this type will tend to weaken congressional support for the capital increase the bank needs to expand its operations. But bank officals point out that if increased loans are blocked the World Bank's need for additional capital will tend to be reduced.

Japan is understood to be lining up alongside the US which reportedly has been lobbying the major industrial countries within the bank for their support. Critics of the US stance argue that it would be a mistake to appear to allow bank lending policy to be dictated by domestic political constituencies.

THE LEX COLUMN

Infringing the 10-yard rule

The downward slope towards Big Bang in the UK government securities market seems to have been getting steeper as the new players feel their way in. Other jobbers were perhaps expecting a bit too much if they thought Giles & Cresswell (otherwise Merrill Lynch) would wait until October before going for major share of the central market; unfortunately, it is only the established members of the old cartel who have much interest in a smooth ride to the buffers.

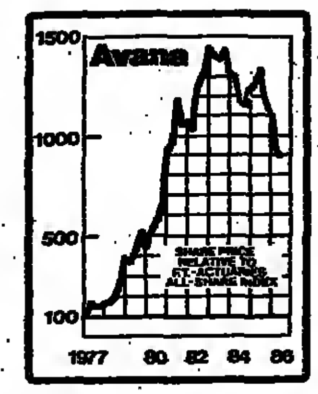
It would also have been asking rather a lot of the other new primary-dealers-to-be to keep strictly within the spirit of the rule that 75 per cent of their book should go through the existing jobbers. Anyone with a compliant fund management associate could churn ferociously in the short end of the market to justify any desired level of turnover – at net prices outside the market – in the more profitable longs.

The temptation has no doubt been less since the market stopped going up, but there is some question whether the Bank of England will need to increase the permitted 25 per cent when it comes up for review shortly. The market itself may be a bit listless, turnover being low and Wall Street the guideline, but the sound of shifting sand is fascinating.

Avana

Business is clearly not good at Avana. So it might have been wise to give shareholders a fuller statement than that which accompanied yesterday's figures for the year to March. The pre-tax advance from £18.9m to £19.6m after profit-sharing disappointed at first sight. Once analysts established that £2.1m of the profit came from one-off stock exchange dealings the share price fell further, ending the day down 24p at 538p. It seems odd at best for a food manufacturer to describe as "other operating income" its bag from what looks like punting in equities and dealing in gilt-edged.

After taking into account another food performance from the Dutch associate, Avana's own trading profits must be down by nearly 10 per cent. The loss of £4m of breakfast cereal sales when the Co-op started its own manufacturing may not prove as serious in the end as the continued grinding away of margins by the supermarkets. Avana's strategy of generating growth from mainly mature markets looks distinctly dented. If Northern Foods becomes disenchanted with its 20 per cent stake, that could provide a more positive influence on the share price than forecasts for this year of £21m pre-tax, which look hard work from a clean base of £17.5m.



Rotaflex

Who would have thought it could be such fun being a shareholder in Rotaflex? One of the duller cyclical stocks is now glowing brightly, although the light has been shed by others, rather than generated internally. A 40 per cent rise in Emess's terms was clearly designed as a knock out bid. Rotaflex's instant rejection does not carry maximum conviction. Taking a five-year history and producing a 75 per cent compound growth rate to the current profit forecast seems too modest. Why not go back another year or two to the losses before the recovery and produce an astronomic rate of progress?

A more pressing reason for holding back until the deadline of July 9 is that brokers to MK Electric, which has ambitions in the lighting business, appear to have been buying Rotaflex stock. MK would suffer earnings dilution if it were to outbid Emess; but that need hardly worry Rotaflex holders. The Rotaflex share price is bang in line with the paper offer from Emess, and would perhaps be nearer the lower cash offer were it not for the prospect of a neon knight. But even the cash bid of £4 a share should not be such a defeat for Rotaflex directors who sold 20 per cent of their beneficial holdings in the year ahead of the bid at below £2 a share.

Ibstock Johnson

Ibstock has been spending money at a rate so vastly in excess of its depreciation and internal resources that a rights issue was bound to come sooner or later: brick demand is so bumpy as to make gearing levels of 50 per cent rather sick-making.

Yesterday's 1-for-4 at 148p, which will raise £22m, would have been better timed when Ibstock's share price was pushing £2; but at least the bunched capital spending will bring on capacity in time for any pre-election cheap money and Ibstock can free-wheel into the downcycle with its balance sheet ungeared.

This is no comfort at all to shareholders who had been looking forward to some very nice increases in earnings this year and next and damn the cycle. There may not be much room for Ibstock to improve its UK profitability; but having chased volume and market position in the US and spent a fortune on teaching New England to love brick, Ibstock is at last beginning to earn a return which this year might be as much as e third as good as the UK margin.

Earnings growth, even with the US tax shelter, is now likely to be only in the mid-teens. Arguably, this is enough to justify a price/earnings ratio of 10, at yesterday's share price of 166p, down 12p. But shareholders still need to be certain that the US business, which did nothing from 1979 to 1984, is not another waste of peak-cycle cash like Ibstock's earlier Dutch adventure.

Lloyds/Standard

Shareholders in Standard Chartered are not going to make up their minds about the bid from Lloyds Bank until they see what sort of increase the clearer has in mind. But a good part of Standard's final defence document is intended as much for the managers and shareholders of Lloyds. In effect, the ambitious bidders are urged to put more on the table, and their shareholders are being frightened off.

By presenting Lloyds with a list of appraised values for the assets that could be sold; by subtracting such things as Standard's rather Kubla Khan office and the Mocatta bullion companies, Standard is able to suggest that Lloyds is trying to buy Standard's banking business for a mere £35m. As for the Lloyds shareholders, they are supposed to be petrified by Standard's cross-border exposure to South Africa as much as the equity investment in Stanbic. Whether the latter could be expected to fetch £109m, as advertised, is open to doubt, and to extricate Lloyds from Standard's South African loan book might require considerable patience. Over to Lloyds.

Spanish Socialists firmly in control

Continued from Page 1

triumph was that of Convergence and Union, the moderate Catalan nationalist party. It increased its seats in Madrid from 12 to 18 – a consolation for Mr Miquel Roca, the Convergence MP who launched the ill-fated reformists – but failed to stop the Socialists from winning overall in Catalonia.

The most effective blow was dealt by radical Basques. Herri Batasuna separatists polled more than 230,000 votes to win four congress seats in the Basque region and another in neighbouring Navarre. The other left-wing Basque party, Euskadiko Ezkerra, took two.

Hitting the well-established Basque Nationalist Party (PNV), this enabled the Socialists to take over the lead in the region in the number of MPs, but it is nonetheless a setback for the Madrid Government.

Herri Batasuna, aligned with the Eta terrorist group, mobilises not only extreme Basque feelings but also working-class discontent in the region. Challenging Spain's political system, it recently won a battle to obtain court recognition as a fully legal party. But it will not receive state funds like other parties since it will not take part in the chambers to which it is elected.

Its strong showing calls into question the moderate stance which the PNV Basque government has adopted in the last two years under a co-operation pact with the Socialists.

The PNV has clearly alienated some of its grass-roots support since the attractive and combative Mr Carlos Garaikoetxea resigned as Basque president in 1984. The internal party feuding which prompted his resignation now threatens to boil up again. His successor, Mr José Antonio Ardanza, said he was worried that the Basque country seemed to be "becoming radicalised."

SPANISH ELECTION (Provisional Results)

	Congress 1986	Congress 1982	Senate 1986	Senate 1982	Andalucia (Regional election) 1986	Andalucia (Regional election) 1982
PSOE (Socialist)	184	202	124	134	60	66
Coalicion Popular (Conservative)	105	106	63	54	28	17
ODS (Centre)	19	2	3	—	—	—
PRD/CG (Centre	1	—	—	—	—	—
USD (Centre)	—	—	—	4	—	15
Izquierda Unida (Left)	7	*4	—	—	19	*8
CIU (Catalanist)	18	—	8	7	—	—
PNV (Basque)	6	8	7	7	—	—
HB (Basque Separatist)	5	2	1	—	—	—
Others	5	3	2	2	2	3
	350	350	208	208	109	109

* Communists.

French shipbuilder faces bankruptcy

BY DAVID HOUSEGO IN PARIS

NORMED, one of France's two main shipbuilding groups, is expected to file for bankruptcy this week in the wake of a government decision to reduce part of its aid to the shipbuilding industry.

The company, in which the Schneider group and the Lebanese Intra investment concern are the principal shareholders, is holding a general assembly this morning to be followed by a works council meeting in the afternoon. In anticipation that closures will follow a bankruptcy petition, Normed's 6,800 shipyard workers have announced a token 24-hour strike today.

Normed owns yards at Dunkirk in the North, and at La Seyne and La Ciotat on the Mediterranean coast. The most vulnerable to closure are La Seyne and Dunkirk, which has not had a fresh order for a year.

Mr Alain Madelin, the free market Industry Minister who has been pressing most strongly for tough action in the shipyards, said at the weekend that in the immediate future workforce reductions would not produce savings for the Budget. He said the aid would be used for redundancy payments and to help create fresh jobs in the regions affected. Mr Madelin is an advocate of industrial free zones, while other plans have been put forward for taking over part of the yards' facilities.

The collapse of Normed technically marks the largest business failure in France since Creusot-Loire, the engineering group filed for bankruptcy two years ago. But in practice Normed has been kept afloat by government aid since it was created in 1983

Mr Madelin has cited figures of between FFr 300,000 and FFr 350,000 ($42,000–$49,000) as the annual cost per employee of state aid to the shipbuilding sector

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	25	77	Dubrovnik	S	26	79	Malta	S	31	88	Rhodes	S	26	79
Algiers	S	31	88	Edinburgh	C	10	50	Manchester	C	14	57	Rio de J'o	S	29	84
Amsterdam	S	26	79	Faro	F	21	79	Manila	R	30	86	Rome	S	33	91
Athens	S	29	84	Florence	F	29	84	Melbourne	C	11	52	Salzburg	F	26	78
Bahrain	S	34	93	Frankfurt	F	23	73	Mexico City	C	25	77	San Francisco	S	26	78
Bangkok	S	33	91	Funchal	S	22	72	Miami	C	28	82	Seoul	F	26	79
Barcelona	S	24	75	Geneva	S	29	84	Milan	S	28	82	Singapore	F	31	88
Beirut	S	27	81	Gibraltar	S	26	79	Montreal	C	27	81	Stockholm	F	18	64
Belfast	C	14	57	Glasgow	R	10	50	Moscow	R	11	52	Strasbourg	S	30	88
Belgrade	F	24	75	Guernsey	S	12	54	Munich	S	26	79	Sydney	S	14	57
Berlin	S	21	70	Helsinki	F	16	61	Nairobi	C	17	63	Taipei	S	34	93
Biarritz	S	20	68	H. Kong	F	29	84	Naples	S	26	79	Tangier	C	21	70
Bombay	D	28	82	Innsbruck	S	26	79	Nassau	C	30	86	Tel Aviv	S	28	82
Bordeaux	F	21	70	Inverness	S	10	50	New Delhi	F	36	97	Tenerife	S	24	75
Brussels	F	24	75	Islamabad	S	31	88	New York	C	29	84	Tokyo	C	24	75
Budapest	F	24	75	Istanbul	S	26	79	Nice	S	23	73	Toronto	C	32	90
B. Aires	S	12	54	Jakarta	S	32	90	Nicosia	S	33	91	Tunis	S	31	88
Cairo	S	33	91	Jersey	C	13	55	Oporto	C	18	64	Valencia	S	30	86
Cape Town	S	21	79	Jo'burg	S	16	61	Oslo	S	21	70	Venice	S	27	81
Caracas	C	28	82	Lima	C	19	66	Paris	T	17	63	Vienna	F	22	72
Casablanca	F	20	68	Lisbon	F	20	68	Peking	F	27	81	Warsaw	F	17	63
Chicago	C	30	86	London	C	17	63	Prague	S	20	68	Washington	—	—	—
Cologne	C	24	75	Los Angeles	C	28	79	Reykjavik	C	10	50	Zurich	S	28	82
Copenhagen	S	18	64	Luxembourg	F	25	77								
Corfu	S	30	86	Madrid	S	23	73								
Dallas	—	—	—	Majorca	S	26	77								
Dublin	C	15	59	Malaga	S	28	84								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Britain signals need for talks

Continued from Page 1

be seen as punitive pressure but by being positive.

One example is an expansion in British, and possibly EEC, grants to assist the education of black South Africans.

Consequently, Mrs Thatcher has remained sceptical about proposals for restrictions of imports of South African fruit, vegetables and wine.

Downing Street officials were yesterday careful to note that Mrs Thatcher's preferred option of making a "positive initiative" is not set in concrete in view of the fluctuating nature of current international discussions.

GM seeks job cuts

Continued from Page 1

erations at Luton and consolidate heavy truck production at Dunstable from four to two buildings, thus reducing capacity from 50,000 to 30,000 a year.

Luton has been reorganised to produce two light vans made from Japanese designs – the Midi, based on an Isuzu vehicle, and the Rascal, from a Suzuki design – alongside the predominantly British CF vans.

Bedford hoped the extra volume would help it move swiftly back to profitability, but the Midi, launched early in 1985, has not sold as well as hoped, either in the UK or in Italy, a prime export market.

Consequently, the van plant is operating on one shift when Bedford had expected to introduce a second by now. There was some short-time working earlier this year.

Bedford was formerly part of GM's Vauxhall Motors subsidiary in the UK, but in 1983 was split away to become part of the world truck and bus group, based at Pontiac, Michigan, where it employs about 13,000.

The truck and bus group has been going through the ponderous process of developing a "world truck," but even this project must now be in doubt because GM says that, although, it contines to make healthy profits from light commercial vehicles in North America, worldwide demand for heavy trucks is no longer growing.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday June 24 1986

May offers $2.7bn in share-swap bid for Associated

BY PAUL TAYLOR IN NEW YORK

MAY Department Stores has offered to acquire Associated Dry Goods, another major US department store owner, in a share-swap deal worth $2.7bn. The transaction, if completed, would create one of the largest US retail groups and continue a consolidated trend within the industry.

May, the nation's third largest department store operator, and Associated, the fourth largest and owner of the Lord & Taylor and J.W. Robinson chains, would have combined annual sales about $9.5bn – almost the same as industry leader Federated Department Stores.

The proposed merger, detailed in a letter from Mr David Farrell, chairman and chief executive of May, to Mr Joseph Johnson, his counterpart at Associated, would follow other dramatic recent changes in the US retailing sector, including the sale last week of 11 Gimbels stores and six Ohrback stores, all on the east coast.

In his letter, Mr Farrell proposed to swap May stock worth $66 for each of Associated's 37.5m outstanding common shares. In addition May offered stock valued at $211.2 for each of Associated's 1.5m cumulative convertible preferred shares. The number of May shares involved in the transaction would depend on market prices wheo a merger agreement is reached.

Yesterday, in the immediate wake of the takeover proposal, Associated's share price jumped by $18.50 a share to $64.50 on very heavy trading volume while May's stock slipped $4⅜ to $82⅜ a share.

Associated said the May proposal was unsolicited. However, Mr Farrell noted in his letter that over the past two years the two chief executives have had "several conversations" regarding a possible business merger. Associated's board was due to consider the proposals, described by Mr Johnson as a "conditional invitation to negotiate," at a meeting yesterday.

New York-based Associated has 440 retail stores including the Lord & Taylor, J.W. Robinson, Loehmann's and Caldor chains. May, which is based in St Louis, has 145 department stores in 15 states, including the May and Hechts chains, together with more than 1,800 shoe shops in 39 states. It recently acquired four Gimbels stores from the Gimbel brothers and has made no secret of its expansion plans.

Last week, May told its shareholders that it plans to spend $2bo by 1990 to open a number of new stores. In its latest fiscal year, May produced $235m in profits on sales of $5.03bn, while Associated had net earnings of $119.7m on revenues of $4.39bn.

Kymmene will sell Stromberg to Asea

By Kevin Done in Stockholm

ASEA, the Swedish electrical engineering group, is to acquire its Finnish rival Stromberg, the electrical engineering division of Kymmene-Stromberg, in one of the biggest cross-border Nordic takeovers.

Stromberg itself was acquired by Kymi Kymmene, the Finnish forest products group in 1983, to give the troubled pulp and paper producer some protection from the fluctuations of the forest industry.

The merger brought only marginal benefits, however, and Kymmene has moved instead to concentrate its resources on the forest industry, with its takeover earlier this year of Kaukas, one of Finland's most profitable forest products groups.

Mr Percy Barnevik, chief executive of Asea, said yesterday that the acquisition of Stromberg was an important step in its strategy for consolidating the Nordic countries as its home base.

No financial details of the takeover were revealed, but Mr Barnevik said it would be a cash acquisition. Asea is acquiring the entire Stromberg operation with the exception of its thermal products division.

The Stromberg activities – excluding thermal products – had a turnover last year of some SKr 2.4bn ($339m), and a workforce of some 7,000 employees.

The acquisition is still subject to the approval of the authorities in both Finland and Sweden.

Asea, one of the world's top 10 electrical engineering groups, has annual sales of some SKr 30bn and a workforce of 62,000, of which around 5,000 are based outside Sweden.

Although Stromberg is the largest electrical engineering group in Finland, it has only a very limited presence abroad. Its main products include low-voltage apparatus, switchgear, electric motors, transformers, power electronics, drives and automation, installation and gears. Its main customers in the domestic market are within transport, shipbuilding, iron and steel, forest products and the power utilities.

Asea already has some 36 companies in the other Nordic countries outside Sweden with 6,250 employees and sales of SKr 5.3bn. Mr Barnevik said yesterday that in order to consolidate its Nordic base, the company is considering listing its shares on the other Nordic stock exchanges.

He also suggested that the company could consider taking on board members from its Nordic neighbours.

Stromberg has suffered from relatively poor profitability in recent years, and last year had operating profits of FM 163.5m ($31.5m), equal to some 8.7 per cent of sales. It had a turnover of FM 1.875bn last year and accounted for some 42 per cent of the combined Kymmene-Stromberg parent company's sales.

The takeover by Asea is unlikely to be completed before the end of the year and Mr Barnevik said yesterday that the estimated full-year earnings for Asea would be "only marginally affected by the acquisition."

Mr Barnevik added that Stromberg would continue to operate as an independent company within the Asea group.

He said that Asea was aiming to build up companies in each of the Nordic countries with their own research and development and with global responsibility for some product areas.

Mr Barnevik said that Asea would not give any job guarantees to Stromberg employees and he refused to specify how he intended to reorganise the company.

CHICAGO PACIFIC CARVES STRONG SHARE IN DOMESTIC APPLIANCE MARKET

Allegheny faces long haul minus Rowenta

BY CHRISTOPHER PARKES IN LONDON

MR TONY McCANN has it all to do again. With the distress sale of Rowenta to Chicago Pacific, his hopes of building a global presence for Allegheny International in the domestic small appliances business have suffered a stunning, possibly fatal, setback.

Mr McCann, the UK-based head of Allegheny's appliances operations outside the Americas, is now basically pinned back in the British market with only one tired brand – Sunbeam – at his disposal. Sunbeam, which is riding high in the US, has been neglected in the UK as the group has bid to raise the profile of the up-market Rowenta label.

Putting on a brave face, Mr McCann points out that Sunbeam is strong in Australia and making progress in the Middle East. Allegheny still has Girmi in Italy, which manufactures some products for Sunbeam and sells under its own brand. But the stark truth is that with the departure of Rowenta – which was half owned by Rothmans Deutschland – Allegheny and Mr McCann have lost their much-valued foothold in the continental European market.

He and the company have invested heavily. Declaring himself "disappointed," but bowing to the corporate need to respond to bankers' demand for reduced borrowings, Mr McCann describes Rowenta as "the most exciting growth company in small appliances."

His view is shared throughout the industry, and there is much admiration for the company's recent progress in a highly-competitive, over-crowded market. Its manufacturing base, mainly in West Germany, has beoefited from about $10m capital investmeot annually for the past three years.

Total promotional spending, mainly devoted to building market share in Europe at large, has been running at more than $13m a year. About two-thirds of last year'a $240m sales were made outside its strong base in Germany.

Mr McCann promises Allegheny will be back, perhaps six or 12 mooths from now, when the group has its borrowings under cootrol. But it will be a long haul. The choice would either he to buy and turn round one of the many troubled small appliance companies in the market, such as Moulinex or Krups, or to build Sunbeam from its low European base.

As things stand, his "fully-fledged" busioess has flown the coop and landed in the acquisitive hands of a cash-rich shell railroad company which, in the face of much scepticism, is set oo becoming a major force in the international appliances business.

Chicago Pacific got off to a brisk start last year when it bought out Hoover, a company similar to Rowenta in that it, too, had benefited from heavy capital and promotional investment in the years leading up to its sale.

Best known for, and in many parts of the world synonymous with vacuum cleaners, Hoover has a third of the US market in this product. In Britain it shares market leadership in washing machines with Hotpoint, the GEC subsidiary. Hoover vacuum cleaners and a range of other appliances – many currently sourced outside the company – are sold in 120 countries.

Chicago Pacific is saying little about its plans for its oew buy and its future international development until the board has approved its latest veoture later this week. However, Rowenta and Hoover represent the cornerstones, giving the emerging group strong base positions in three major world markets: the US, West Germany and the UK. They also offer a foothold all over Europe and the Pacific Basin.

The company has picked up a few oddments such as a burglar alarm company, but it appears still to want a strong third arm in major appliances. It receotly failed to take over Simpson, the main washing machine maker in Australia. It also inspected Indesit, second biggest Italian appliance manufacturer after Zanussi, only to turn up its nose.

It is understood that Mr Harvey Kapnick, Chicago Pacific's chairman, felt that more needed to be done by the state-appointed receiver, to turn the company round.

Indesit is still up for sale and it is still possible that Mr Kapnick may be tempted, given the company's well-established trading links around Europe, the receiver's continuing efforts to cut the workforce and modernise the plant, and the possibility of, after all, tagging the famed Hoover badge onto its products.

Chicago Pacific will also have to retain its nerve, and at the same time develop a sound product policy for its increasingly scattered empire. Despite Mr Kapnick's determined progress, the world domestic appliance market is a trying place. Margins are at best slender and increasingly companies have to rely on strong new product developmeot programmes for profits.

As ooe senior Roweota executive puts it: "The only way to grow is through innovatioo and by displacing the competition."

The main difficulty is that the competition refuses to be displaced. Customer loyalty to familiar brands has so far ensured that established oames in the US and Europe are often given a new lease of life under oew ownership when parent companies or private owners decide they can do without their appliances businesses.

Moulinex of France, for example, is safe for the moment under US protectioo. Morphy Richards of the UK seems comfortable under the wing of Glen Dimplex, a private Irish company.

Although the case is not an exact parallel, he might reflect on the experiences of his fellow Americans at Black & Decker, which, with a range of small appliances bought from General Electric, has so far failed to fulfil its early promises to flood the already saturated European market with household products bearing the famed B&D label.

Mr Roger Thomas, responsible for B&D's efforts outside America, admits that last year's pilot launch of a range of small appliances in the UK with a £2.5m promotions budget has not gone as well as expected.

He has now changed his tactics. "Softly, softly, makee money," he says.

The first products were basically "me-too" toasters, irons, fan beaters, hair dryers and kettles. Future launches will be based on the innovative application to household uses of the power tool company's own expertise in rechargeable battery technology and motor.

However, despite Black & Decker's disappointments and Allegheny's severe setback, US companies are still eager to enter the rich European appliance market in strength.

BfG may float shares to firm capital base

BY DAVID BROWN IN FRANKFURT

BANK fur Gemeinwirtschaft (BfG), the bank owned by the West German trade union movement, has moved closer to deciding oo a stock market flotation to strengthen its capital base.

But Mr Thomas Wegscheider, BfG's chief executive, said it was too early to discuss details and stressed that other options, including a capital injection from the bank's owners, were also still under discussion.

He added that BfG will have to broaden its capital base by the end of 1987, under newly-tightened German capital-to-lending ratio requirements.

The bank also announced an upturn in the early part of this year, with operating profits ahead by 26 per cent from the relatively low level in the first four months of 1985.

The management expects satisfactory results this year, based on the rise of 5.4 per cent in customer credit demand through to the end of May.

BfG's group assets reached DM 63.66bn ($28.4bn) last year, while 1985 partial operating profits rose by 5 per cent to DM 313m.

The interest rate surplus climbed by a strong 7.2 per cent to DM 981m, while commissions income for services advanced by 10 per cent to DM 188m.

The bank decided, however, to increase its loan loss provisions by DM 52m to DM 223.97m.

BfG paid DM 20m into reserves compared with DM 130m last year, and a DM 80m dividend (the first in five years) to BGAG, the holding company for German trades union interests.

The group's 1985 published net profit declined from DM 145.4m to DM 35.2m.

GE and Allied to co-operate on new engine

By Our New York Staff

GENERAL Electric and Allied Signal, two leading US industrial groups, have teamed up to produce a new high efficiency turbofan engine, incorporating modern technology, for corporate aircraft in the early 1990s.

The joint venture agreement, under study for more than a year, will involve GE's aircraft engine business group and Allied Signal's Garrett Turbine Engine subsidiary. The two companies said the new high bypass engine will be rated at 5,600 pounds thrust, rising to 7,000 pounds thrust, and will use 20 per cent less fuel than current industry standard models with similar power.

The turbofan engine has been designated the CFE738 and will be based on GE's highly successful GE27 core and Garrett's advanced technology low-pressure fan system.

Mr Robert Hawkins, GE vice-president, said the agreement calls for GE to provide the core from its GE27 6000 turboshaft engine developed under contract for the US army's modern technology demonstrator engine programme.

Supreme court to hear Pennzoil case

BY WILLIAM HALL IN NEW YORK

THE US Supreme Court has agreed to intervene in Pennzoil's $12bn legal action against Texaco, which it claims improperly interfered with its planned acquisition of Getty Oil in 1984.

The court is to hear Pennzoil's challenge to a federal court ruling that Texaco is not required to post a $12bn bond to appeal against the massive damages awarded by a Texas court last year.

The federal court ruling that Texaco did ont need to post the bond, although only a side issue in the case, was an important setback for Pennzoil. The proposed bond, which threatened to force Texaco into the bankruptcy courts, was seen as an important lever in Pennzoil's bid to win damages from Texaco for interfering with its agreed bid for Getty.

The decision by the Supreme Court to involve itself in the largest damages award in US corporate history is not unexpected. Nevertheless, it is seen as bolstering Pennzoil's position in its action. In early trading on Wall Street yesterday, Texaco shares slipped by $⅜ to $33⅞ and Pennzoil shares rose by $1⅛ to $51⅛.

Texaco issued a statement yesterday noting that the Supreme Court decision simply means that the court will hear further arguments as to the propriety of the preliminary injunction handed down by the Court of Appeals. It said that it "remains fully confideot that its position on the merits of the case will be vindicated in the appeals process."

Texaco sought the federal injunction to enable it to "excercise its constitutional right to appeal the judgment against it throughout the entire appeals process without facing the dire consequences that would have been incurred under the Texas state bond and lien provisions."

Exchange rate hits Roussel-Uclaf profits

BY DAVID MARSH IN PARIS

ROUSSEL-UCLAF, the French pharmaceutical group owned 54.5 per cent by Hoechst of West Germany, said the lower dollar exchange rate is likely to cut group profits by 15 per cent this year compared with 1985.

Last year, the group boosted consolidated net earnings by 15 per cent to FFr 519m ($72m). It stressed the forecast was made on the basis of the franc/dollar rate at the beginning of June.

The company reported a 33 per cent fall in first-quarter group net profits to FFr 116m from FFr 173m in the first three months of 1985. Sales fell 11 per cent in the first-quarter to FFr 2.91bn from FFr 3.27bn.

Roussel-Uclaf has registered sharp increases in profits and has been a star performer oo the Paris stock market in recent years, above all because of the favourable impact on its export oriented business of the fall of the franc against the dollar.

Apart from the fall in the dollar in the first quarter, the company said its results this year were affected by the continued price freeze for pharmaceutical products in France. Insecticide sales were less favourable than last year

Argentine airline back in business

By Tim Coone in Buenos Aires

ARGENTINA'S national airline, Aerolineas Argentinas, resumed normal operations at the weekend following an agreement between management and unions to reinstate 200 maintenance workers who had been dismissed the previous week, and to return to the negotiating table over salary scales.

The company suspended all flights 10 days ago in response to industrial action being mounted by maintenance workers who were demanding parity with workers of the other state airline, Austral. The confrontation raised fears of a total closure of Aerolineas Argentinas, which is burdened with a $800m debt.

Five of the six unions which organised the company's 10,000 employees have agreed to suspend industrial action for 90 days.

Kodak raises biotechnology stake

BY OUR FINANCIAL STAFF

EASTMAN Kodak, the big US photographic group which last week announced a reorganisation of its top management structure, yesterday revealed that it has taken a further step towards diversifying into biotechnology-based pharmaceutical products.

Kodak has paid $13m for a 12 per cent stake in Neorx, a small, private-held company in Seattle which specialises in monoclonal antibody-based agents for the diagnosis and treatment of cancer. The investmeot is Kodak's second in the company, and gives it a minority interest of over 20 per cent, though it declined to specify it.

Greyhound's Conagra sale will offset losses

BY OUR FINANCIAL STAFF

GREYHOUND, best known as operator of the largest inter-city bus system in the US, expects to show an $87m after-tax gain from the sale of its stake in Conagra, the food processor. But the gain will be offset by provisions totalling $52m arising from restructuring and losses by subsidiaries.

In addition yesterday, the group, which also manufactures buses and has interests in consumer products and financial services, explained the reasoning behind its plan to seek a listing on the London Stock Exchange.

Mr John Teets, chairman and chief executive, said that Greyhound Lines, the transport subsidiary, had completed union agreements enabling the conversion of 96 of its 127 company-operated bus terminals to independent commission agencies.

These newly converted facilities will join about 1,900 other commission agencies across the country which, for many years, have represented the bus company handling ticket sales, baggage, package express and other services.

Because of this move, second-quarter results will be charged about $15m after-tax for one-time severance pay and expenses relating to the cutting of nearly 3,000 Greyhound Lines jobs affected by the expected conversion of all terminals.

Mr Teets said: "We estimate the average payback period on this programme at Greyhound Lines will be about 12 months in as much as the conversion programme relieves the company of very significant ongoing fixed costs for terminal operations."

A further charge against second-quarter profits will relate to the European shipping loan portfolio of its financial group's foreign subsidiary. This has deteriorated further because of an increased level of non-performing loans.

Market conditions and the near-term outlook in this sector were also worse than previously expected, Greyhound said. The subsidiary's provision for losses is being increased by $25m.

A third provision relates to Pine Top Insurance. Here, the board will seek to be placed under control of the Illinois Department of Insurance for "orderly rehabilitation under Illinois insurance laws."

Second-quarter group results will include a charge of about $12m to provide for anticipated losses from the rehabilitation.

In regard to the London listing Mr Teets said, the listing was being sought "in recognition of our international expansion and the changing nature of capital markets in the UK and Europe. In the last two years, our financial services business in the UK has grown by 78 per cent, and we intend to continue to expand in this area." The shares have been listed in the New York exchange since 1932.

At December 31, 1985, the company, based in Phoenix, Arizona, had total assets of around $2.9bn and shareholders' equity of about $1.2bn. Net income for 1985 was $120m but the latest first quarter was sharply down at $10.2m from $19m. For the whole of 1985 revenue reached $3.3bn.

INTL. COMPANIES & FINANCE

Adia plans to float registered shares

By John Wicks in Zurich

ADIA, the Lausanne-based temporary-employment group, is in the coming months to introduce 7,500 of its 100,000 registered shares to over-the-counter trading in Zurich, Basle and Geneva. The company's bearer shares and participation certificates are already listed on Swiss stock exchanges.

This follows the move in April by Mr Henri Lavanchy, the company founder, to pass on part of his controlling interest in Adia to senior members of management. In recent years Mr Lavanchy has withdrawn from an active role in the group and is now honorary chairman.

Adia carried out a rights issue in May, in which 35,000 new participation certificates of SFr 20 face value were offered to existing shareholders and certificate holders at par and at a rate of one new certificate for each five bearer shares, 10 registered shares or 50 existing certificates.

Consolidated figures just issued show that turnover rose by 26.7 per cent last year to a record SFr 1.36bn ($736m). Cash flow was up 32.8 per cent to SFr 57.1m and consolidated net earnings by 51.8 per cent to SFr 39.9m.

Adia claims to be the world's fourth biggest temporary-employment agency concern. Among its major operating areas is the UK, where it owns Alfred Marks and is the market leader. Its Hamburg-based subsidiary Adia Interim has the biggest single market share in the federal republic.

Adia's group report says 1986 will "definitely be better than 1985."

Bank of Italy maintains grip on distribution of branches

BY JAMES BUXTON IN ROME

ITALY'S central bank has once again demonstrated its determination to maintaio rigid control of the country's banking system. The Bank of Italy last week approved only 504 out of 2,787 requests by banks to open new branches, in the first major authorisation of new branches since 1982.

The bank is adhering to its policy of ensuring a wide geographic distributioo of banking services while preventing what it regards as needless competition. The central bank controls the precise location of bank branches.

Mr Antonio Fazio, deputy director-general of the Bank of Italy, said that many of the requests for new branches were aimed purely at taking away market shares from competitors, rather than introducing banking to new areas. "The market," he said, "has to be regulated: excessive competition increases costs, reducing the efficiency of the system."

In deciding where banks may establish new branches, the Bank of Italy in its awards has given preference to the opening of new branches in southern Italy, as well as in new urban areas which are undersupplied with branches.

Underlying the central bank's decisions is its philosophy that the strength of Italian banking and of the country's economy lies in the preservation of efficient local banking institutions which are in close touch with their customers.

For this reason Italy still has more than a thousand separate banking institutions, and the big banks – such as Banca Nazionale del Lavoro and Banca Commerciale Italiana – have only a relatively small share of the country's 13,000-odd bank branches. But the Bank of Italy does favour a gradual process of rationalisation and concentration which means the disappearance of some marginal institutions.

Figures show that Italy has a much higher ratio of population per bank branch than other European countries. In France and West Germany there are about 1,500 people per bank branch, and in Britain nearly 2,300, while in Italy the figure is 4,400.

INTL. COMPANIES and FINANCE

Australia tightens control on banks

Emilia Tagaza in Canberra reports on growing concern over cut-throat competition in an overcrowded market

AFTER A well-received decision by the Austrelian Government last year to license 16 foreign banks, the authorities are now becoming concerned over the cut-throat compelition that has resulted from an overcrowded carket. The Reserve Bank of Australia (RBA), the central bank, is moving towards closer supervision in an attempt to check the bank's plunge into innovative but more risky activities.

In a country of 15.5m peopla where 32 banks and 182 merchant banks are competing, the market players have hade to venture into high-yield, high-risk instruments in order to win clients and stay in the game.

These instruments, which the foreign banks had intended to use in carving out part of the Australian business, are not usually reflected in banks' balance sheets and ere therefore out of the RBA's jurisdiclion. They include currency and interest rate swaps, futures transactions and Euromarket business.

Before the foreigners were invited into the country, Australian commercial banks bad largely ignored such instruments. But they have since taken on the risks in order to pre-empt the newcomers and defend their market positions.

If Australian banks have not taken the plunge, the RBA would perbeps not exert as much of its authorityfi But the big four Australian trading banks are now experts themselves, especialy in commercial paper and securities, with the Commonwealth Bank having established itself as the merket leader. Westpac, ANZ Bank are close behind.

The latest of the RBA's prudential requirements, issued early this month, is designed to monitor large credit exposures. After earlier obtaining banks' statements of policy on lerge lendings, It now wants them to report quarterly on exposures to individual clients or groups that exceed 10 per cant of shareholders' funds.

Among those which the RBA considers part of bank exposures and wants reported are such off-balance sheet items as letters of credit and commercial guarantees.

Late last year, it asked banks to provide details of all off-balance sheets transactions so it could determine how best to prevent banks from carrying nndue risks.

But this bas not been an easy task. Mr John Brady, head of the RBA's supervision unit, said the market is constantly developing new types of deals whicb the bank has to keep up with. Like other central banks, it has yet to find appropriate prudentiel standards in this dynamic area.

As a stop-gap measure, the RBA has sougbt the belp of banks' external auditors to ensure tbat banks are keeping appropriate controls on their exposures. Last April, it decided to involve external auditors in the supervisory process. It seid the existing system of prudential supervision hed become insufficient.

The growing supervision, combined with the higher capital ratio required of foreign banks, bave placed tha new entrants et a competitive disadvantage. They are reqnired to maintain e capital-to-assets ratio of 6.5 per cent in their initial years. This compares with existing banks' 5 per cent.

According to an official of one US bank, many of the foreign banks would be restrained from wbat they originally set out to do wben the Government first invited them into Australia. After just a few months of operation there, most foreign banks have scaled down their ambitions from the levels set when they lodged their licence applications.

Citibank Australia, for instance, has cut the size of its corporate banking arm. Mr Michael Cannon-Brookes, chairman of the Australian unit, said the slowdown in the economy had reduced corporate business much more sharply than banks had expected, while stiff competition is squeezing returns on traditional corporate banking services.

But he added that Citibank's consumer banking arm will remain strong. The three US giants — Citibank, Bank of America and Chase Manhattan —going for the retail sector, backed by their extensive electronic networks.

Chase has a built-in base through its 50-50 partnership with Australian Mutual Provident Society (AMP), the country's largest life insurance group with about 2m policybolders. The Bank of America unit is 25 per cent-owned by the Coles-Myer retail chain, whose 1,000-plus supermarkets and department stores throughout Australia provide good entree into retail banking.

Latest to join the retail fray is National Mutual Royal Bank (NMRB), a joint venture between the Royal Bank of Canada and the National Mutual Life Association of Australasia, the second largest Australian insurance gronp. NMRB last week proposed to take over the large United Permanent Building Society which has more than 700,000 accounts.

The British-backed banks—Barclays, Lloyds Bank NZA, NatWest Australia and Standard Chartered—are focusing on the more traditional lines of corporate and trade finance and money market and foreign exchange business. Barclays has specifically aimed at the middle corporate market which requires smaller loans.

The Japanese banks—Mitsubishi, Bank of Tokyo and Industrial Bank of Japan—are seeking trade finance, with the emphasis on Japanese companies operating in Australia. Hongkong Bank and Bank of Singapore, a subsidiary of the Oversea Chinese Banking Corporation, are both angling for Australian connections with China and South-east Asia.

On entering Australia, the foreign banks found the four major trading banks well armed for the onslaught. After the Government deregulated the system and dismantled the operational barriers between banks and non-banks, they moved quickly into insurance, investment services and stockbroking. They also widened their overseas networks.

In 1984-85 they registered unprecedented profit increases. Westpac'e net profits were up 50 per cent to A$368m (US$255.4m), Commonwealth Bank showed a 24 per cent rise to A$359m, ANZ was 19 per cent higher at A$320m, and Netional Australia was up 30 per cent to A$302m.

All the banks attributed the rise in profits and assets to overseas operations. This is yet another cause for concern for the RBA, which has now required banks to back up part of their foreign currency liabilities with liquid assets. Liabilities raised abroad were previously not covered by the RBA's preserbed assets ratio, whereby banks are required to keep 12 per cent of their liabilities invested in certain liquid assets.

Moussa to launch Frandev fund

BY DAVID MARSH IN PARIS

MR PIERRE MOUSSA, the French financier wbo cbaired the now-nationalised Paribes investment bank up to October 1981, plans to play a role in the forthcoming privatisation of French state-owned companies and banks.

In wbat amounts to an ironic come-back on to the French financial scene 4½ years after he was forced to quit Paribas in e major row over netionalisation, Mr Moussa yesterday geve details of the launching of a FFR 850m ($119m) investment fund on the Paris stock market next week.

Mr Mousse, aged 64, said in his first Press conference since leeving Paribas that be boped the Investment fund—France Development or Frandev—would, in association with other institutions, play an "active" role in buying shares of companies to be denetionalised.

In cleerly upbeat mood Mr Moussa, who is now chairman of the London arm of Dillon Resd, the US investment bank, voiced optimism about growth opportunities for the Paris financial markets in coming years.

Commenting on the cbange in the Frencb economic climate since the previous Socialist Government same to power in 1981, Mr Moussa said a "quasi-consensus" now reigned in France on tbe importance of bolstering the company sector. "We are benefiting from e situation whicb bas completely changed," he said.

Pierre Moussa: Plans role in privatisation of state-owned companies

Frandev will ect mainly to buy sbares in French companies, although it will also heve the right to buil dup boldings in bonds. Frandev officials yesterday made clear the fund would be interested in all kinds of placements in private companies as well as those on the Government's privetisation list.

The Frandev capital could be invested within 12 to 18 months, or sooner, depending on the state of the bourse, Frandev officials said.

The fund, constituted as e SICAF or fixed capital investment company, will be able to commit np to 10 per cent of its capital in any one company.

Mr Moussa pointed out that the fund would thus be able to take no more than minor stakes on the capital of any of the larger companies or banks to be denationalised. However, associeted with French institutional shareholders in Frandev, as well as the range of international financial organisations backing Mr Mousss's separate Palas international group, Frandev's role could be "active rather than passive", be said.

Under tbe share introduction planed for the *seond marche* or unlisted section of the Paris bourse on June 27, an extra 6 per cent of Frandev's capital is to be floated. Some 11 per cent of Frandev's capital is elreedy beld by the public.

A group of seven big Frencb institutions, including the UAP and AGF insurance companies, the Caisse des Depots and the Omninm Financier de Paris owned by the Total oil company, holds et present 51 per cent of the shares, with other institutions in France and abroad owning e further 38 per cent.

Mr Moussa aims progressively to open np further the cepital of the fund to the public and to increase its total size, depending on the rhythm at which investments are made.

Sharp reverse at Olympus in first half

By Our Financial Staff

OLYMPUS, the Japanese maker of cameras and optical equipment, suffered a 22.4 per cent erosion of pre-tax profits to Y3.12bn ($18.6m) in the first balf to April.

Net earnings, bowever, were 3.2 times higher, at Y9.24bn against Y2.20bn, reflecting Y7.46bn in asset disposals made during the latest period. The currency squeeze exerted on export margins pulled sales 2.3 per cent lower to Y60.98bn.

Per-share net earnings for the parent company were Y49.46 compared with Y11.83, and the Interim dividend is being maintained et Y6.50 a share.

Olympus has been expanding strongly into medical products, wbere it has secured as mucb as 70 per cent of the world market for endoscopes.

For the full year to October, Olympus forecasts a 1.2 per cent dip in turnover to Y127bn. A similar profits pattern is expected, with a 20.3 per cent decline at the pre-tax level to Y6.5bn but with net earnings 162 per cent higher et Y11.5bn.

Higher costs peg growth at Rand London

By Jim Jones in Johannesburg

RAND LONDON, the troubled South African mining associate of Burnett and Hallamshire of the UK, increased turnover by two-fifths in the year to March but failed to boost profits by the same proportion.

Turnover rose to R94.2m ($38.8m) from R66.3m while operating profits before interest and tax increased by just over 6 per cent to R7.93m from R7.46m. Pre-tax profits rose to R4.86m from R3.58m.

Mr John Hall, the managing director, says profits were restrained by higher costs and forward cover taken on export earnings. Loss-making operations are to be closed and in fnture the company will concentrate on exploitation of high-quality anthracite resources.

Capital expenditure bas egain exceeded net profits and the preference dividend due on June 30 will not be paid. Ordinary dividends were last declared in 1980.

Cafe de Coral to go public

CAFE DE CORAL group, a chain of 32 Chinese-style fast-food restaurants in Hong Kong, is to seek a public listing on the territory's stock market, **AP-DJ reports from Hong Kong.**

The group said it plans to obtain the listing through an offer of 100m new ordinary shares at HK$1.18 each. Of those shares, 40 per cent will be offered to the public, with the remainder going to Cafe de Coral's 23 current shareholders, must of whom are directors or employees of the group.

Mr K. M. Lo, managing director, said Cafe de Coral should earn net profits of no less than HK$47m (US$6.02m) in calendar 1987.

Perpetual FRN by Banque Paribas

BY CLARE PEARSON

BANQUE PARIBAS, the French bank yesterday raised $300m through a perpetual floating-rate note (FRN) issue, which ranks as primary capital. The issue, led by Banque Paribas Capital Markets, was well-received by the market and was increased from an original $200m. The extra $100m remains on tap.

The issue pays ¼ point over three-month London interbank offered rate, and has a minimum coupon of 5 per cent for the first five years. At the end of that period the issue is callable at par. Fees total 15 basis points. Issue price is 100.10, and the issue traded comfortably above this level at 100.12 on the bid side.

Elsewhere in the FRN sector, Morgan Guaranty launched a $250m 12-year deal for Bank of Montreal, which was also well-received. The deal is also non-callable for the first five years. Interest payments are at the relatively generous rate of five basis points over six-month London interbank offered rate. The borrower's overall cost is reduced by an accompanying private placement of 250,000 12-year "floor certificates." These are options on future interest rates which pay the holder 6 per cent less six-month London interbank offered rate, if London interbank offered rate declines below 6 per cent.

Fees on the issue totalled 15 basis points and it traded yesterday at 100.25 on the bid side, as against a par issue price.

Dealers thought it was a "sign of hard times" in the

Due to a computer fault it has not been possible to publish yesterday's international bond prices.

fixed-rate sector that triple A rated Liberty Mutual Insurance, the fifth largest insurance company in the US, should have issued $150m of 10-year paper at an initial spread of 85 basis points over comparable US Treasury bond yields yesterday. This margin, however, ensured good demand for the deal, which traded within the 1½ per cent commissions.

It was led by Merrill Lynch. The coupon was set at 8½ per cent and issue price at 101.

In Canadian dollars, Union Bank of Switzerland issued a C$75m bond for Ford Credit Canada, guaranteed by Ford Motor Credit. The five-year bond paid a coupon of 9¼ per cent and was priced at 100⅞.

Dealers said the terms compared poorly with recent issues for borrowers such as Canada Trust in the five-year maturity level. The lead-manager kept a support bid within total fees

Daiwa Europe launched two deals into the Euroyen market. One, a Y15bn deal, was for Council of Europe, which has previously borrowed in the Samurai market. The deal was not swap-related and dealers thought its terms, a 6 per cent coupon over a 10-year life and issue price of 101¼, fair. Daiwa Europe reported demand from European investors.

Daiwa's other Y15bn offering, for Nissan Motors, which pays 6¼ per cent over its 10-year life, looked less attractive. Dealers were sceptical about how far it would be traded in the primary market in Europe.

In the equity warrants sector, the day saw two deals for Japanese companies. The first, led by Nomura, was for Nagasakiya, the clothing retailer. The $60m five-year bond will be priced on July 1, but the coupon is indicated at 2¾. The second deal, led by Nikko Securities, was for Nippon Chemi-Con, the electrical components manufacturer. This $50m bond also had an indicated coupon of 2¾ per cent, and five-year maturity. Pricing will take place on June 30.

Late in the day Nikko Securities launched a $100m seven-year bond for J. P. Morgan, for which Morgan Guaranty also arranged an issue of warrants into US Treasury bonds yesterday.

The $100m deferred coupon bond pays 8 per cent for the first five years, although this is deferred until the end of that period. For the last two years the issue pays 8¼ per cent coupons.

The Swiss franc market traded weakly yesterday. Prices were mostly unchanged, although a 5½ per cent convertible for People Express lost 8 points in price to 65 per cent. Dealers pointed to heavy fare-cutting by the hard-pressed airline.

A 3 per cent issue with equity-warrants attached for Montedison Finance traded for the first time and closed at 97¾.

There was one new public bond issue: a SFr 150m deal for SHV Holdings, the Dutch diversified consumer goods company. The 12-year bond pays an indicated 5½ pr cent coupon. Pricing will take place on June 26. Union Bank of Switzerland led the deal.

The D-Mark market gained some confidence from the US Treasury bond market early on, but lost ground in thin afternoon trading.

Move to improve Samurai market

By Yoko Shibata in Tokyo

JAPAN'S Big Four securities houses yesterday began quoting price indications for around 20 leading issues in the Samurai bond market, in an attempt to improve secondary trading of the yen-denominated domestic bonds issued by foreign borrowers.

The move by Nomura, Daiwa, Nikko and Yamaichi reflects a realisation among the securities houses that the improvement already under way in underwriting methods is not alone adequate to revitalise the Samurai market.

The four underwriting houses are announcing indications for bonds issued by international organisations such as the World Bank and the Asian Development Bank, which account for about half of the issues covered by the new system.

In addition, each will announce indications for some 10 issues lead managed by themselves. The four underwriting houses are obliged to purchase bonds offered by customers at the bid price. They will not announce asked prices if they do not have sufficient supplies of the paper.

The Samurai market for non-resident issuers has been expected to play a key role in the Ministry of Finance policy of promoting a more international role for the yen. However, volume of issues has fallen sharply this year, so far totalling only 14 bonds worth Y420bn — only 33 per cent of the level in the first half of 1985.

If the current trend continues, the issue market is likely to see the first year-to-year fall in six years. This reflects the problems of relatively low liquidity for Samurai bonds and a deteriorating secondary market due to a halt in long-term interest rate declines.

Issuing schedules have often been suspended because of differences over issue terms between issuers and underwriters. After the Bank of China issue with a record low coupon in April, there was a gap of a month until the next Samurai bond was floated by Korean Electric Power.

Survey shows varied approach to sovereign risk

Banks build reserves for Third World debt crisis

BY DAVID LASCELLES, BANKING CORRESPONDENT

ONE OF the key questions in international banking is whether banks have built up strong enough reserves to meet an all-out crisis on the Third World debt front. But it is also a question that is hard to answer because the practices of providing against possible loan losses vary greatly from country to country, reflecting different accounting, regulatory and fiscal conditions.

In a new survey on allowances for sovereign risk Peat Marwick, the accounting firm, points to this lack of a uniform approach to a common problem, and is able only to draw a very general, though positive, conclusion.

"Coupled with the increased attention being directed to other indicators of financial strength, such as capital adequacy relationships, it would appear that there has been some overall improvement in bank's ability to withstand the impact of possible deterioration in the ultimate collectability of sovereign risk loans."

Nevertheless, the survey shows that bank supervisors are taking a closer interst in the adequacy of provisions. Two more countries have introduced rules or guidelines since Peat Marwick last conducted such a survey in 1984, bringing the total to eight. More banks are also disclosing the extent of their provisions, and discussing their policies in the annual reports.

The eight countries are Belgium, Canada, Japan, the Netherlands, Spain, Sweden Switzerland and the US. Of these only Belgium, Japan and Spain have published their rules — the rest have kept them confidential to banks.

Of the eighth, three have specifically identified the sovereign borrowers for whom loan loss allowances should be made. Canada has listed 32 countries without specifying individual rates of allowance. The US has named seven countries, with rates varying from 15 to 80 per cent. The Netherlands has compiled a lost of 25 countries with minimum rates of allowances ranging from 5 per cent to 100 per cent.

Authorities in Sweden, Switzerland and Spain have grouped countries into risk categories, while others have tried to take into account specific events, like reschedulings and non-performance. The monitoring of compliance with the rules is usually done through regular reporting to the supervisory authorities.

In countries where no specific rules have been established, many authorities still take a close interest in the level of provisions and will usually indicate to banks the types of loans where they would be appropriate. In the UK, for example, the Bank of England encourages olowances for country risk without setting specific guidelines. In France Austria and Ireland, the authorities discuss country risk with banks, and in Luxembourg banks are told what kinds of loans would require provisions to be made against them.

The Peat Marwick report notes that considerations other than supervisory rules also influence the size of loan loss provisions.

One of the most important is the tax treatment of provisions and write-offs, which varies widely between countries which allow full deductibility, and Singapore which allows none at all.

Another is the acceptability of hidden reserves, which are taken into account in six countries: Belgium, Hong Kong, Singapore, Spain, Switzerland, and the UK for "exempt banks" which are allowed to keep inner reserves. The third is the overall profitability of a bank, and the desire among banks to maintain smooth profit trends.

Despite these variations, though, Peat Marwick says: "There are also indications from a number of countries that banks have been reinforcing their allowances against sovereign risk loans, and that the relationship between total allowances and total loans has been growing."

Allowances for sovereign risk —an international survey. Peat Marwick, Grosse Gallusstrasse 10-14, 6000 Frankfurt am Main 1, West Germany. Tel (069) 21840.

COUNTRIES WHICH IDENTIFY PROBLEM SOVEREIGN BORROWERS

Identification by: Each country	Groups of countries	Risk parameters	Rates of allowance %
Canada	—	—	10-15
—	—	Japan	1-5
Netherlands	—	—	5-100
—	Spain	Spain	1.5-100
—	Sweden	Sweden	30-100
—	Switzerland	Switzerland	10-50
US	—	US	15-80

Malaysia urged to allow foreign broking outlets

THE KUALA LUMPUR Stock Exchange (KLSE) is to suggest to the Malaysian Government that foreign brokers which do not want to take stakes in local brokerage firms should be allowed to open representative offices there, according to Mr Nik Mohamed Din, the exchange chairman, Reuter reports.

Under changes approved by the government last April, banks and foreign brokers may buy stakes in local brokerage firms. The process is aimed at injecting professionalism and funds into Malaysia's 47 brokerage houses.

Mr Din said banks may not open their own broking firms.

However, market operators said banks and foreign brokers were reluctant to do so because many brokerages have big liabilities. Only one merchant bank is known to have bought into a securities firm since the rules were relaxed.

Mr Nik said that other banks seeking broking licences were being told to negotiate with 42 brokers who want outside investment.

He added that the KLSE and the Government have formed a committee to help funnel such investment. Malayan Banking, Bank Bumiputra, United Malayan Banking and an unnamed foreign broker were now negotiating with local brokers.

No foreign stockbrokers have opened such talks with local brokers, Mr Nik said. Industry officials said foreigners are being deterred by rules limiting foreign ownership in local firms to 30 per cent.

"We will suggest to the authorities that . . . where foreign brokers do not want to take up stakes in local firms they be allowed to set up representative offices here," Mr Nik said.

The KLSE has introduced other measures to beef up the securities industry, which was hard hit by the collapse of the Singapore-based Pan-Electric Industries last November.

Japan changes rules on bank reserve requirements

BY OUR TOKYO STAFF

THE BANK of Japan has resolved final details of reserve requirement ratios for commercial banks under a newly-created system designed to lessen banks' reserve burdens.

The new ratios, which will take effect from July 16, are in line with a cabinet decision earlier this month to implement revisions to the law on reserve deposit requirements.

Under the present system, reserve requirement ratios differ according to types of financial institutions and amounts of deposits. In the case of commercial banks, requirement ratio increase in three stages. This forces those banks to raise the ratio suddenly when the overall level of deposits moves into an upper category.

Under the new five-stage system, no ratio will be applied for the first Y50bn of time deposits including negotiable instruments. A ratio of 0.125 per cent will be applied for the portion up to Y500bn, a unified 0.125 per cent between Y500bn and Y1,200bn, 1.275 per cent for Y1,200bn to Y2,500bn, and 1.75 per cent for more than Y2,500bn.

For call money and other deposits, the ratio will be zero for the first Y50bn, 0.25 per cent between Y50bn and Y500bn, 1.875 per cent for Y500bn to Y1,200bn, and 2.5 per cent over Y2,500bn.

However, reserve ratios for foreign currency deposits and bonds will be kept unchanged, while the Norinchukin Bank is excluded from the current measures.

The new system is expected to reduce banks' reserve requirements by a total of Y740bn. Among them "city" or commercial banks are expected to see a decrease of Y380bn, regional banks Y280bn, trust banks Y40bn, and shinkin, sogo (mutual) and long-term credit banks Y10bn. Foreign banks expect only a small fall.

CSR to expand but forecasts flat profits

CSR, the diversified Australian resources group, plans to enter an expansionary phase using the proceeds from share issues announced this month, but has forecast a flat profits outcome for the current year to March 1987, Reuter reports from Sydney.

Mr Gene Herbert, finance director, said he foresaw no substantial earnings advance in the absence of major rises in oil and commodity prices.

A placement of 80m shares at A$3 and the issue of about 62.5m options at A$1 each on a one-for-ten basis will raise about A$300m initially and A$460m in total over five years.

"We think that after three years of consolidation and sorting out the house, it is time we started moving forward and into growth a lot more aggressively than we have been able to do in the last three years," Mr Herbert said.

He said that CSR, hampered by debt from its Delhi oil and gas unit and low commodity prices, has not been making good profits although it has been maintaining a high dividend payout ratio.

Projects earmarked by CSR include expansion of the building materials operations, both locally and overseas.

Building materials has been CSR's most successful single division in recent years. It contributed A$62m in 1985-86 to net profits of A$125.38m.

US QUARTERLIES

EX-CELL-O CORP
Industrial Equipment, Auto Parts

	1986/7 $	1985/6 $
Second quarter		
Revenue	312.1m	285.6m
Net profits	13.5m	14.2m
Net per share	0.85	1.00
Six months		
Revenue	587.7m	555.3m
Net profits	21.4m	22.5m
Net per share	1.50	1.58

H. J. HEINZ
Food

	1986/7 $	1985/6 $
Fourth quarter		
Revenue	1.22bn	1.08bn
Net profits	82.08m	68.35m
Net per share	0.60	0.49
Year		
Revenue	4.37bn	4.05bn
Net profits	301.73m	265.96m
Net per share	2.20	1.93

NEW ENGLAND ELECTRIC
Utility

	1986/7 $	1985/6 $
Five months		
Revenue	629.6m	603.2m
Net profits	73.59m	72.58m
Net per share	1.38	1.41
Year		
Revenue	1.47bn	1.46bn
Net profits	165.06m	160.43m
Net per share	3.13	3.15

SOUTHERN COMPANY
Utility

	1986 $	1985 $
Five months		
Revenue	2.82bn	2.85bn
Net profits	296.06m	291.34m
Net per share	1.07	1.15

TEXAS UTILITIES
Utility

	1985/6 $	1984/5 $
Year		
Revenue	4.06bn	4.05bn
Net profits	590.8m	545.5m
Net per share	4.26	4.20

TECHNOLOGY

General Motors puts MAP into gear

Leading advocate for compatibility of automation machinery, the world's largest vehicle manufacturer has its first systems up and running. GeoffreyCharlish reports.

GENERAL MOTORS has revealed the first major application within the company of MAP, or "manufacturing automation protocol."

MAP is a world-wide industrial initiative, led by GM, to encourage automation makers to use standards. Now the company has started assembling commercial vehicles in three plants in the US and Canada that have been "wired up" for MAP as part of a massive automation programme.

The MAP technology is used to allow body shop, paint, trim, guided vehicle, test, and other control systems to "talk" to each other.

MAP performs the communications role in GM's big GMT 400 project in which five of its commercial vehicle plants are being re-vamped with a 40 per cent increase in automation. Three of the plants, those concerned with assembly at Fort Wayne (Indiana), Pontiac (Michigan) and Oshawa (Ontario) have MAP "up and running."

Systems integration for GMT 400 is being carried out by Electronic Data Systems, the GM data networking subsidiary.

GM officially releases no investment figures, but bndgeted total expenditure on GMT 400 is reliably understood to exceed $2.5bn. The corporation has already announced it will be spending $40bn on automation by 1990.

MAP is a set of communications software and hardware specifications based on International standards nearing finalisation in the International Standards Organisation (ISO) in Geneva.

These standards relate to an "open systems interconnection" model laid down by ISO which allows items like computers, programmable controllers, robots and other shop floor items, regardless of manufacturer, to communicata at all levels, covering everything from the electrical characteristics of signals sant down wires to the way information is arranged in a particular application.

In 1984, GM conclnded that each time a plant was to be refurhished for a new modal range, advances in antomation, which nowadays always antails data communication between equipments, were being prevented by the incompatible ways in which information is dealt with by different equipment manufacturers. Today, all GM suppliars have to conform with MAP, which bas become something of a crusada outside GM and in manufacturing in general.

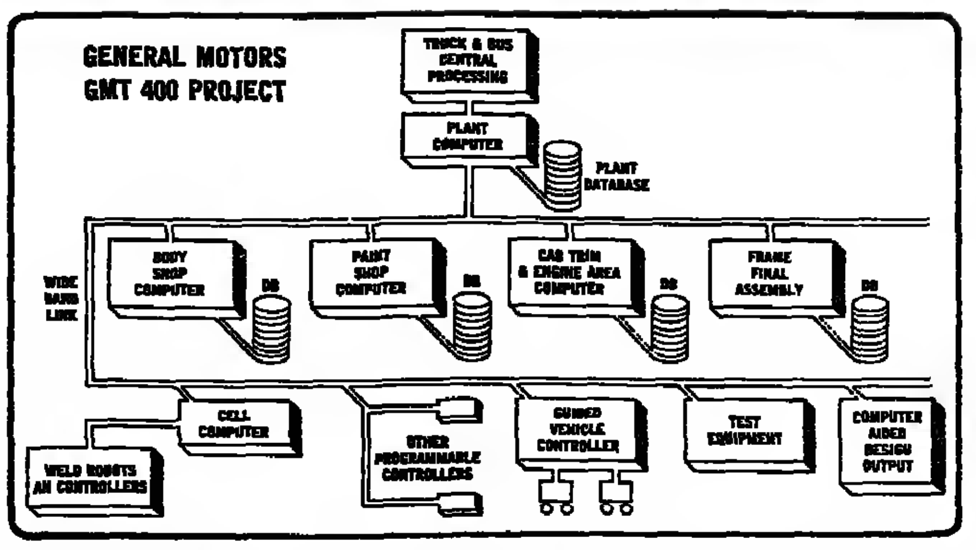
In North America over 200 organisations have pledged allegiance to MAP including major manufacturing companies like Boeing, Du Pont, Ford, Kodak and McDonnell Douglas. There are also many committed automation equipment makers including Allen Bradley, Digital Equipment Corporation, General Electric (US), Gould, Hewlett Packard and International Business Machines. Intel and Motorola are offering chip sets for MAP.

In Europe, ASEA, British Petroleum, Fiat, the General Electric Company (which recently announced some products), Philips, Renault, Siemens, Unilever, Volvo and Volkswagen have expressed support.

GM hae been first off the mark with a major application and necessarily so—in one plant it found that 17 different computer-based systems were in use, each with its own cabling. They could not communicate unless special bridging software was written at great expense.

GMT 400 incorporates the first major implementation of MAP and is hased on a hierarchy of computers interconnected by broadband cabla networks—high capacity connections that can transfer large amounts of information very quickly.

Overall control is by the truck and bus division's central computer, which deals with over 30 business opplications including material control, vehicle ordering, financial systems and computer-aided design. Connected to this "master machine" is each plant's own main computer and database (store of working data). This in turn is in overall control of four smaller machines and databases that deal with body fabrication, painting, cab trim/engina assembly, and final assembly of bus or truck frames.



Basically, each plant's main computer is in charge of production schednling, shipping control and order processing. It also monitors production facilities all over the plant.

Connected to it, each of the four smaller machines, acting on instructions from a central computer, supplies "build" data on tha various productioo equipments including welding and painting robots, the automatic guided vehicles that move bodies about the shop floor, and the testing equipment. These computers also gather manufacturing process results and send them up the computer hierarchy to the plant and master machines.

GMT 400 uses a single coaxial cable system to carry data round the plants, electronically split into six high capacity channels within the cable. (Previously GM had been faced with bunches of cables several feet in diameter.)

Two of the channels are used for MAP communications, two for the interconnection of terminals, one for IBM communications using SDLC (synchronous data link control, an IBM proprietary communications protocol) and ona for miscellaneous data.

The system integrates most of the high technology systems in each new plant ioto a communicating whole. As well as the robot weld and paint controllers, these include vision systems that guide robots carrying out sealing operations and robots performing fluid filling tasks, glass installation, laser etching of body numbers and spare tyre placement.

The dominant namea in the plants are basically three: IBM for central and plant machines, Digital Equipment Corporation for area management computers and Allen Bradley for programmable manufacturing cell cootrollers.

An ideal opportunity for better projection of Britain's image overseas

FILM AND VIDEO

by John Chittock

THE NEW technologies for delivering moving pictures are creating great demands for programming to feed the systems. When a research group offers a multi-client study on such a subject, this may be taken as a sure indicator that programming is about to become the next hig commercial issue when the argumants over direct broadcasting satellites (DBS), 8mm video and so on have died down.

The multi-client study—The Programme Demand Up to the Year 2000—is to be carried out by the Swiss-based organisation Prognos. In its promotional literature, Prognos puts the problem succinctly: an estimated 50,000 cinema films have been produced worldwide sinee the arrival of sound, but possibly only 15,000 are still usable—bow long will the reserves last?

Television and video have created the demand, and for all its failure to exploit the hardware, Britain is uniqnely placed to rise to this software opportunity: its films and TV programmes are highly acclaimed, and the English language is the most widely used in world markets.

Against this background, it requires little imagination to see bow tha UK government might use this demand to benefit the nation. To some extent this is already happening—especially through tha Central Office of Information (COI) and the British Council.

The COI has various schemes, refined over the years, to get Britain's message across to overseas audiences. Britain's 184 embassies and High Commissions are now equipped with VCRs and in regular receipt of programmes about British industry and products.

The obverse of this is the cultural work of the British Council, which (among other things) belps to ensure that the quality of British film and television arts are well promoted overseas—as for example a forthcoming festival of British television due to be held in Moscow, and support offered at this year's Cannes film festival where Britain had a much higher profile than in previous years.

Film and television units visiting Britain from abroad also receive assistance from the COI, which can pave the way hy organising local co-operation, helping with research and even hiring equipment. The service is highly relevant to the overseas promotion of Britain, such as through the guidance provided to an American TV unit in the UK to make a programme about the safety of tourists.

Private enterprise tries as well, and later this week at Bristol the Financial Times Export Award will be presented to a video programme in the annual festival of British sponsored films. Started in 1971, when Rover Cars won it with a swashbuckling film made to introduce the Range Rover, the FT award has since gone to films about the construction industry, pottery, industrial processes, medicine, tourism and last year to a British Council film about UK educational services for foreign students.

New technology is also being exploited with some of these overseas activities, as in a programme series distributed on US cable television — Focus on Britain. For $38,000 a British company can bave a 30 minute programme made and distributed on American cable systems, with an andience rating of 800,000 viewers. The British Consulate in Los Angelea has pioneered this particular idea, helped hy the COI in London.

All of this is good news for Britain. The bad news, however, is that many believe the UK is not doing anough compared to some other countries. The US, for example, is beginning to equip its embassies with satellite TV tele-conferencing facilities — so that journalists in host countries can interview leading politicians or industrialists in the US.

Since one survey suggests that 65 per cent of Americans receiva all of their news and information from television, it wonld be encouraging to report that the British Government is now stepping np the local support for UK moving picture product. In fact, COI's staff in New York alone bas declined from about 200 in the 1960s to just 45 today. Art and culture fare even worse. Members of the British Council's advisory committee on films and television were recently borrified to learn that the Council's representation for British culture and education in the whole of the US is just one full-timer and one half-timer.

Maybe private enterprise does better? Unfortunately it does not, with fewer films and video programmes heing made for overseas audiences and a depressing lack of enterprise in distributing those which are—such as two examples I have seen recently where the sponsors, having spent in excess of £60,000 on the productions, have invested only a few hundred pounds in copies.

The COI, which offers its services free to British industry, often finds similar problems—as for example in its so-called Video Catalogue, a moving picture index featuring clips of British products. But too few companies have video clips available when invited to participate.

The quality of British movies is well known—not just feature films like Gandhi and Brideshead Revisited, but prodnctions throughout the range. Typical are three contenders in this year's FT Export Award—Design International (about Letraset and its use hy leading designers), and A Word in the Ear of the World (about The Economist newspaper and aimed at international advertisers), and the COI's Accident (from its overseas science series Perspective, which is a match for the very best of broadcast television programmes like Britain's Horizon).

Yet the industry still struggles for more government support, such as the National Interactive Video Centre which is not financially secure, despite Britain's world lead in interactive video programming.

If British manufacturing attracted the same international acclaim as our screen media, the country's economic problems might be over. But it seems there are ironies about failure and success—the one encourages Government subsidy, and the other neglect.

Gulf takes friction out of truck and bus oils

By John Griffiths

GULF OIL is launching a new low-friction, low-viscosity commercial vehicles transmission oil which, it claims, represents the first significant advance in such technology for about 20 years.

In recent years, a number of companies have developed synthetic low-friction oils for use in truck and bus gearboxes and axles. However, these are significantly more expensive than conventional oils. Gulf for its part has reverted to conventional mineral oil as the basis for its "Transtech" oil, which is of 75/80 viscosity compared with the 90 of other conventional, mineral oil-based transmission lubricants.

Despite the oils lower viscosity, Gulf insists that its low-frictioo properties produce a 10 per cent reduction in operating temperatures, resulting in extended component life and reduced fuel consumption.

Gulf also claims that extensive testing in North America and Europe has shown that oil change intervals can also be extended considerably.

The transmission oil is being lannched in parallel with a new engine oil, Powertech AEP, also developed specifically for trucks and buses.

The commercial vehicles lubricants market is a valuable one which can justify the oil majors developing prodncts separate from those designed for cars. In the UK alone, for example, the aftermarket in lubricating oils for trucks and buses is worth £65m a year, of which transmission oils acconnt for £14m.

UK COMPANY NEWS

Avana's £20m disappoints and shares fall 24p

Avana Group, the food processor which includes Marks and Spencer among its customers, raised its 1985-86 profits by just 3.6 per cent to £20.21m at the pre-tax level.

City analysts have been downgrading their forecasts recently but the figures announced were still some way below their expectations and by the close of business yesterday, the company's shares had shed 24p at 538p.

The results for the year to March 29 1986 were bolstered by other operating income amounting to £2.14m (nil) and by the Dutch associate, Porfavor, which increased its pre-tax profits substantially to £1.2m.

Other operating income comprised capital gains and investment income from gilts and equities.

Dr John Randall, the group's chairman, says the year under review was characterised by severe competition.

Viota Foods lost volume and margin but shareholders are told that these problems are being corrected. Viota lost a Co-op contract worth £4m a year to turnover.

The chairman says substantial over-capacity in the preserves market led to inadequate margins at James Robertson — the problem is still unresolved. Robertson made a small profit.

R. F. Brookes overcame the problems caused by the delay in completion of its new factory and made good progress. Profits here showed a good rise. The cakes company had a very good year.

In France, the canning company, Peny, made a profit of over £1m in spite of the bad weather. The Cyprus hotels activity made a small loss and has been disposed of.

Dr Randall says the current year has started on a better note and adds that there is scope for obtaining growth from recent and continuing investment.

Group turnover for the past year improved from £193.63m to £303.47m. Pre-tax profits included a related companies share amounting to £17.39m (£19.02m), interest and other investment income totalling £684,000 (£486,000) and other operating income of £2.14m (nil). There was a same-again £600,000 provision to the profit sharing scheme.

Net profits emerged at £13.57m, against a previous £12.91m, equal to earnings of 38.73p, up from 36.84p. A final dividend of 7p lifts the total from 11.25p to 12p net per 5p share.

See Lex

Alastair Morton to take chair at Guinness Mahon

BY DAVID LASCELLES

MR ALASTAIR MORTON, chief executive of the Guinness Peat Group, is to become chairman of Guinness Mahon Holdings, the holding company for the group's investment banking activities. The move reflects the growing importance of investment banking for Guinness Peat which has mada several acquisitions in that field.

Mr Morton will succeed Lord Croham on July 1. Lord Croham will remain chairman of Guinness Peat Group.

Guinness Mahon Holdings is being reshaped to have four segments reflecting the balance of business now emerging at GPG, following the group's recent failure in its takeover battle for Britannia Arrow.

These are:

- GM Asset Management which includes Temple Bar Fund Managers acquired last year. Tha group may also shortly announce the acquisition of a fund management business in the US.
- GM Securities which will combine the institutional client business of Henderson Crosthwaite, the broking firm, and White and Cheesman, the jobbers, which GPG has bought.
- Guinness Mahon, which includes the accepting house, along with corporate finance, treasury business, capital markets and private clients.
- GM Investments, where the group will manage its investments in areas such as property and energy, and development capital activities.

Mr Morton said yesterday that he is searching for people to occupy several key positions in the group's new structure.

Sears buys Milletts Leisure for £12m

By David Churchill, Consumer Affairs Correspondent

THE SEARS group, which has some 4,500 retail outlets in the UK and overseas, is buying the 122-strong Milletts Leisure Shops chain in an agreed deal worth £11.8m.

Milletts, a long-established leisurewear and camping equipment retailer, faced difficult trading during the past year because of fierce high street competition and poor sales last winter caused by the mild weather.

Turnover in the 53 weeks to February 3 1986 rose only slightly from £29.06m to £30.38m while trading losses, including discontinued operations, escalated from £471,000 to £1.7m. After asset sales, pre-tax profits came to £15,000.

The move by Sears, which owns Selfridges in London and British Shoe Corporation, did not dampen stock market speculation yesterday about the possibility of a bid for Sears itself. Mr Geoffrey Maitland Smith, Sears chairman and chief executive, said last night, we did not know of any bids and had received no approaches.

Millett's retail operations were founded earlier this century and subsequently split into a number of different trading companies owned by various members of the Millett family.

Sears already owns some 65 Milletts shops operated as part of its Foster menswear division.

The Chelsea Boy division of Milletts, aiming at the youth market and which operates in Scotland, will be developed to complement the menswear division.

Sears says it is confident that its retail and property expertise, together with its financial strength, will enable the full potential of Milletts' retailing activities to be realised.

Sears is offering 11 new ordinary shares for every six ordinary shares of Milletts. Last night's closing price for Sears of 124p, down 2, that values each Millett's share at 227.33p against a closing price of 215p up 25p, valuing the total offer at £11.8m.

Sears has obtained irrevocable undertakings from Mr Alan Millett, who owns some 24.41 per cent of the shares, and his family and family trusts, which gives Sears total undertakings of 56.34 per cent.

See Men and Matters

Ibstock Johnsen calls for £23m to cut borrowings

BY TERRY GARRETT

Ibstock Johnsen, facing brick manufacturer, is calling on its shareholders for a £23m cash injection with a one-for-four rights issue to tidy up its balance sheet.

For a capital intensive company operating in a cyclical industry, Ibstock is too heavily borrowed according to Mr Ian Maclellan, finance director.

Including a projected spend of around £9m to £10m this year, capital expenditure in the three years to December 31, 1986 will total about £37m, including the Hanley Brick acquisition, compared to depreciation charges of £14m.

But for the rights issue net debt at the year end would hava been around £35m against shareholders' funds of £65m according to Mr Maclellan, suggesting gearing of almost 55 per cent. Post the rights issue that figure will be between 15 and 20 per cent by December.

The proceeds will also, according to Mr Paul Hyde-Thomson, chairman, give the group sufficient flexibility to expand where "opportunities exist for above average returns on capital" although a bid is not imminent.

Mr Paul Hyde-Thomson, chairman of Ibstock Johnsen

Commenting on the trading outlook for the current year, after a £1.06m fall in pre-tax profits to £11.36m in 1985, the directors are now confident that the outlook for the current year is good.

In spite of poor weather in the early months, brick deliveries to the end of May were running ahead of those in the corresponding period.

The US operation has made a very satisfactory start to the current year with both volume and prices much improved on 1985. After years of indifferent performance the US business turned in a profit of £1.15m last year.

Mr Angus Phaure, an analyst with broker Fielding Newson-Smith, believes that the US business could contribute £4m before interest and tax this year. He is lifting his target for full year profits to £15.75m taking in the benefit of the rights proceeds (£22.3m after expenses). After a 26 per cent tax charge that indicates earnings per share of 16.7p.

The rights issue, priced at 148p a share, prompted a 10p slip in the market price to 168p where Mr Phaure rates the shares as a "gentle buy, but there is no need to be aggressive."

The directors are not making any forecasts for the current year other than saying that the interim dividend will be lifted by 13.3 per cent to 1.7p a share.

The issue has been underwritten by Lazard Brothers and Cazenove are brokers. Dealings in the nil paid shares start on Thursday.

See Lex

LIT 11% higher at £4.75m

IN SPITE of the effects of tha weaker dollar, the London Investment Trust, industrial holding company, raised pre-tax profits by 11 per cent from £4.28m to £4.75m for the year ended March 31 1986.

The group has made a good start to the current year with management figures indicating a significant improvement in profits for tha first three months.

Tha directors say the group continues to hava a strong and liquid balance sheat with net assets in excess of £17m.

As a result of facilities negotiated during the past 12 months, they say the group is well placed to permit expansion of its existing operations through the further provision of capital, and to take advantage of investment opportunities as and when they occur.

Turnover in 1985-86 rose 35 per cent from £26.22m to £35.29m. After tax of £1.78m (£1.72m) earnings per 5p share climbed from 2.85p to 3.3p. Tha net dividend is stepped up to 1.298p (1.162p) net with a final of 0.829p.

The main feature of the year was an excellent performance by the group's UK futures and options division, Bailey Shatkin, the directors state. There was a change in emphasis whereby an increasing proportion of its business is now transacted in the US markets and in financial futures in London and Chicago.

Bailey has also developed a forceful presence on the London International Financial Futures Exchange.

During tha year, Bailey Shatkin Securities was set up to handle international securities business and this is now trading profitably.

Shatkin Trading Company, which operates as a clearing and broking firm on the main futures and options exchanges in Chicago, experienced a decline in profitability for the first time, due mainly to pressure on margins within the industry.

Rialcor Shatkin Securities developed well during the second half of the year and reported good profits. While continuing its clearing services on the Chicago Board Options Exchange and the Midwest Stock Exchange, Rialcor has diversified into options and securities broking, specialising in providing a quality service to institutional clients.

Other principal activities—financial services provided by Centrespur Group and the investment and treasury functions of head office—both reported increased profits.

Reed's £6.5m profit on French disposal

Reed International, the paper, publishing and packaging conglomerate, has sold its 25 per cent stake in Compagnie Europeane de Publication, the leading French business publisher, to a group of French investors associated with the company. Reed said it had mada a £6.5m profit on the sale.

Compagnie Europeane made £14.8m (FFr 160m) on £269m (FFr 2.9bn) turnover in 1985. Reed said it was disposing of its shareholding in order to concentrate on expanding its English language publishing interests.

Seagram ahead at £35m

Seagram Distillers, the Chivas, Glenlivet and Glen Grant whisky group, raised its turnover from £298.91m to £342.1m and its pre-tax profits by £9.85m to £35.1m in tha year ending January 31, 1986.

Demand for the group's products continued to show increases, particularly in the UK, Europe, Asia and Africa. In Spain, the results of the Sandeman operations were encouraging. The group is a subsidiary of the Seagram Company through Seagram Holdings.

Morgan Grenfell

The FT yesterday reported incorrect financial statistics for Morgan Grenfell in connection with its flotation by tender. In fact, it increased earnings per share by 43 per cent to 36p in the year to December 31, based on fully disclosed profits before tax which increased from £46.4m to £68.9m.

Whitecroft's £25m offer for Eleco

BY CHARLES BATCHELOR

Whitecroft, a mini-conglomerate engaged in building supplies, lighting and property development, yesterday launched a £25m all-share takeover bid for Eleco Holdings, another conglomerate with a similar range of businesses. Eleco immediately rejected the offer.

The bid was accompanied by an announcement from Whitecroft that its pre-tax profit fell from £7.46m to £7.26m in the year ended March 1986 on turnover which rose from £101.7m to £104m.

Whitecroft is offering three of its own shares for every five of Eleco. Whitecroft's shares closed unchanged at 245p to value the bid at 147p per share. Eleco's shares rose 10p to 150p, 3p above the bid. Whitecroft already owns 1.9 per cent of Eleco.

Eleco's activities include the manufacture of cable trunking, power supply systems and lighting products; the construction of industrial and commercial buildings and houses; and the management of industrial estates. It made a pre-tax profit of £2.2m on turnover of £25.6m in the year ended June 1985 and had net assets of £21.3m at that year end.

In the first half of the current year, pre-tax profits of Eleco rose to £1.01m (£810,000) on turnover up 51 per cent to £14.7m.

Mr Tom Weatherby, Whitecroft chairman, said the manufacturing and distribution arms of the two companies' electrical and building products businesses would complement each other. Whitecroft's Northern-based housebuilding operations would complement those of Eleco in the South.

Whitecroft would review Eleco's property portfolio, valued at about £14m, and probably dispose of mature rented properties.

Whitecroft believes it can improve the return on capital of Eleco's business from the present level of about 10 per cent. Whitecroft currently makes a 20 per cent return.

Tha timing of the offer was partly dictated by Whitecroft's recent disposal of two small timber businesses which were taking up a lot of management time. It attempted to get Eleco's agreement to a bid at a meeting on June 4 but was rejected.

Eleco yesterday criticised the industrial logic of the bid and the Whitecroft management's ability to improve Eleco's profits in the light of Whitecroft's own recent flat profits performance.

Despite the downturn in last year's profit, Whitecroft increased its dividend payment from 7.7p to 8.4p. Profits for the year to date are well ahead

Whitecroft is advised by J. Henry Schroder Wagg and Eleco by S. G. Warburg.

Broad Street Associates in talks with Stanelco

BY DAVID GOODHART

Broad Street Associates, the high-profile public relations group which has established a formidable reputation during the recent take-over wave, is now taking to the acquisition trail itself.

Modelling itself on its oldest client, Saatchi and Saatchi, it is seeking to go public through a reverse takeover of a small, unprofitable, manufacturing company, Stanelco, which makes heating equipment.

The two companies yesterday said discussions were taking place about a possible merger. But they added: "It is emphasised that, despite press speculation, discussions are still at an early stage and the boards of the two companies will now begin their consideration of how such a merger, if concluded, could effect their future development."

Nevertheless Broad Street, which has never made a secret of its longer-term plan to go public, hopes to have completed the deal with USM-quoted Stanelco by the end of July with a view to officially merging in the third week in August.

According to Mr John Coyle, a Broad Street director, his company will dominate the joint board and hold between 70 and 90 per cent of the stock. Soon after the deal is completed the heating equipment business, which made a loss of £70,000 on turnover of £547,000 in the six months to August 1985, is likely to be disposed of and Broad Street plans to start making acquisitions in its own field of media and communications.

The original idea for the deal came from Mr David Landau, who became chairman of Stanelco last January when he and stockbroker Mr Peter Beswick bought the 60 per cent stake held by Pavion International.

He said: "We have been seeking to diversify and Broad Street seemed an interesting company in an interesting field. They are profitable but without assets, we have assets without earnings."

Stanelco's assets are about £¼m, but it also recently raised £1m cash through a private placing, diluting the stake of Mr Landau and Mr Beswick to about 35 per cent.

There does appear to be some opportunity for a breakdown in tha negotiations between Mr Landau and the four Broad Street shareholders, Mr Brian Basham and Mr Michael Preston, who cofounded tha company in 1977, and Mr John Coyle and Mr Barry Phelps, who joined in 1981 and 1984.

For example Mr Landau thought it "more than likely" that he would remain as chairman and said there was no present intention to sell the manufacturing company. Both points were met with less than full support in the Broad Street camp.

Broad Street certainly has superior financial clout. It has advertising billings of about £6m a year and turnover of £1.5m a year from its regular clients and about £¾m from "crisis PR," that is expected to produce pre-tax profit to tha end of October this year of between £½m and £800,000.

DIVIDENDS ANNOUNCED

Avana Group	7	—	6.75	12	11.25
Brown & Tawse	5	Aug 7	4.5	7.2	6.5
Burns-Anderson int.	1.35	—	1.25	—	2.7
J. Cropper	1.9	—	1.65	2.75	2.25
First Security	2.3	—	—	3.5	—
FKB Group	2.5	Oct 1	—	2.5	—
Illingworth Morris	2.25	Aug 29	0.91*	3.5	0.91*
Jarvis Porter	2	July 30	—	2	—
London Investment	0.83	Aug 27	0.72	1.3	1.16
G. Ruddle‡	3.2	Aug 12	2.75	4.6	4
Scantronic‡	1.15	Aug 22	0.8*	1.65	1.27*
D. Thwaites	7.6§	—	7.1	7.6	7.1
Volex	6	Oct 1	5	9	7.5
Whitecroft	5.9	—	5.4	8.4	7.7

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Reorganisation boosts IM as profits advance 50%

THE RESULTS of reorganisation, benefits from £10m capital investment and stronger controls have helped Illingworth, Morris increase its pre-tax profits by almost 50 per cent in the year to end-March 1986.

The Bradford-based textile manufacturer achieved the increase from £4.14m to £6.18m on turnover up at £96.24m (£93.04m). Earnings per 20p share came out at 11.2p (9.6p) and the final dividend is raised to 2.25p against an adjusted single payment last time of 0.91p to make a total for the year of 3.5p.

The directors say the group is on target with the three-year plan prepared at the time of the takeover at the end of 1983. The degearing has been completed within the forecast, and profits are ahead of projections.

They add the annual report, which will be available in the near future, will reveal a further substantial improvement in liquidity and that the group has a positive cash position.

The group is looking at ways of maximising the sales of its products. The directors say that the strength of the brand names, which include Crombie, and technological supremacy in certain areas has assisted in implementing the marketing policies.

Operating profit was £5.47m (£4.18m) with other income of £1.11m (£890,000) and interest charges more than halved at £407,000 (£927,000). The tax charge was £1.52m (£104,000), minorities took £102,000 (£94,000), there were extraordinary credits of £456,000 (£279,000) and dividends absorbed £1.49m (£482,000) to leave retained profit at £3.52m against £3.74m last time.

Mr Alan Lewis, chairman and chief executive of Illingworth, France

● comment

When the Soviet Union's elite takes the salute at the May Day parade the chances are that most will be wearing one of Illingworth Morris' Crombie coats. But the effective exploitation of the Crombie brand name still remains a promise for the future—so far there are no retail outlets and the knitwear range has yet to reach the shops. The core businesses therefore remain worsteds, woolcombing and sports goods (tennis balls and snooker table baize). All of these have responded well to Alan Lewis' treatment over the last three years and, mainly due to further cost savings, should grow enough in 1986-87 to enable pre-tax profits to reach £6.9m and there could be hidden plusses in the property portfolio. Future earnings growth will have to come from expanding the company's direct relationship with the market-place—close links with M & S and other multiples have already enabled Illingworth to design yarn to the customers' specification and win orders at good margins. However, an inability to claw back tax losses is expected to see the charge climbing up again this year, to 30 per cent, and earnings will therefore struggle to pass last year's 11.2p per share. The shares closed 1p at 127p.

Hanson in £26m US clothing disposal

By Lionel Barber

Hanson Industries, the US arm of Hanson Trust, the acquisitive UK industrial holding company, has sold the Shephard Clothing Company to a group of investors including the company's management, in a deal worth up to $39.25m (£26m).

Hanson is to receive $33m, of which $29m has been paid in cash. Hanson could get a further $6.25m depending on the level of future profitability.

Shephard manufactures men's sports coats and suits. In the year to September 1985, it had sales of around $45m and reported pre-tax profits of £8.6m.

Shephard is part of Carisbrook Industries, Hanson's textile and fabrics business in the US. Last year, Carisbrook reported a fall in pre-tax profits to £15m (£20.4m). Hanson blamed a strong dollar and competition from unrestricted imports.

In Hanson Trust's 1985 annual report, Shephard is said to have contributed significantly in its first full year in the Carisbrook division. "Cost reductions and a less overstocked position by retailers will hopefully bring an improvement in 1986," the report said.

First Security's initial results show 74% increase to £1.4m

BY ALICE RAWSTHORN

First Security Group, the automotive safety and fire detection group which is the subject of a takeover bid from British Car Auctions, reports a 74 per cent increase to £1.37m in pre-tax profits for the year to April 30.

The company brought forward the publication of its preliminary results—its first set since flotation in June last year—because of the BCA bid. First Security's turnover rose by 31 per cent to £8.21m, reflecting increased sales across all three core divisions: automotive sensors, security and fire equipment. The company produced earnings per share of 11p and a dividend of 3.5p.

According to the chairman, Dr Fred Westlake, all three divisions have begun the year with healthy order books. The automotive sensor division will continue to be the key growth area, having won its first orders for General Motors—for Opel in Europe and AC Delco in the US—since the end of the last financial year.

In the current year, First Security intends to expand automotive sensor sales in Europe. Within fire and security equipment it will concentrate on new product development by designing a new generation of "intelligent" devices.

BCA mounted a takeover bid for First Security in early May. BCA's chairman, Mr David Wickins, was the joint owner of Midepsa, the Canadian investment company which owned First Security until it went public last year. First Security's flotation was badly undersubscribed — the underwriters were left with 92 per cent of the shares—BCA began to buy First Security shares early this year and in May its holding accounted for 45 per cent of the equity.

Under the terms of the City Code on takeovers, BCA was forced to make an offer for the remaining shares in issue. It did so by making a mandatory offer at 150p a share, this compares with the market value of yesterday's share price of 155p.

The First Security board does not oppose the bid—given that BCA controls so high a proportion of its equity it would be futile to do so—but advises shareholders to hold on to their shares or to sell in the market rather than to BCA.

Should BCA secure control of First Security, it intends to run it as an autonomous company, retaining the independent listing and leaving the executive board intact. The first closing date for the BCA offer is July 1.

● comment

First Security has had more than its fair share of traumas since its flotation last year. The share price has never really recovered from the offer's failure—which was less a reflection of the City's perceptions of the company's prospects than of over-optimistic pricing — thereby giving BCA the chance to swoop. The First Security board now has little option but to accept the takeover as a fait accompli and draw what little comfort it can from BCA's comments about "autonomy" and "associate status." Meanwhile automotive sensors has emerged as the most fertile area for growth. First Security all but dominates its sector of the sensor market where the cost of entry has, thus far, protected it from competition. The Opel and AC Delco contracts could provide an entrée to GM, while the increased use of fuel-injected cars in Europe could create another new market place. In fire and security equipment, the development of intelligent and integrated systems should boost margins. Profits should increase to £2m in the current year, producing prospective p/e of 10.5, which looks much more like the sort of multiple with which it should have come to the market in the first place.

Brownlee receives two bid approaches

By Lionel Barber

Brownlee, the Glasgow-based timber and builders' merchant, has received two unsolicited bid approaches which could lead to an offer.

Brownlee shares closed at 100p, up 28p on the day, valuing the business at almost £16m.

Last week, Brownlee revealed a drop in pre-tax profits from £2.6m to £891,000 for the year ended March 1986.

The two approaches have both come in the past fortnight, Brownlee said yesterday. Mr A. M. Nicol Brownlee, managing director, declined to comment on whether the predators were involved in the timber trade.

Last August, Brownlee paid £700,000 for W. Lang, a Paisley based timber merchant. Brownlee said last week that Lang's full potential had yet to be realised due to difficult trading conditions.

Earnings per share for Brownlee fell sharply from 9.3p to 4.1p. The Lang purchase pushed up interest charges for the full year from £57,000 to £188,000.

Brownlee is proposing a one for two scrip issue.

McKechnie chief hits out at alleged inaccuracies

BY DAVID GOODHART

DR JIM BUTLER, chairman of McKechnie Brothers which is fighting a £160m bid from Evered Holdings, yesterday said he was "considering his position" over possible legal action in relation to alleged "crass inaccuracies" in Evered's increased offer document.

He takes issue with several points in an Evered list of "McKechnie's failures," in particular the claim that five out of McKechnie's nine metals companies are loss makers. "That is wildly wrong," said Dr Butler last night although he would not say what the correct number was.

He also refuted the Evered assertion that IMI Rod and Wire, acquired for £6.5m in 1983 and closed in May this year, had contributed "significant losses."

Dr Butler said that after some initial losses due to rationalisation the company had made a contribution to profits.

The Evered assertion that McKechnie's dividend cover had fallen from three times in 1980 to 1.6 times in the 1986 forecast is challenged on the grounds that the latter figure takes extraordinary items into account "something done by no other company I know of," according to Dr Butler.

Some of Evered's positive ideas for transforming McKechnie may make more of a dent. Mr Raschid Abdullah, the Evered chairman, says for example that he would "act to retrieve substantial market share losses and margin declines at Harrison and Crayonne, through concentration on product development and marketing."

Evered — which will spend at least £5.6m on expenses if the bid is successful — also said it will be seeking new markets for McKechnie's plastics businesses and reviewing the position with regard to its New Zealand and South African holdings.

COMPANY NEWS IN BRIEF

BRITISH LAND has agreed to the acquisition by its listed New York affiliate of a wholly owned subsidiary of British Land, whose principal asset is a 25-storey office building at 90 Broad Street in New York's financial district.

JOHN L. DORE, systems development and project management consultancy, has purchased the Walsall-based Bevan Technology from D. F. Bevan (Holdings). Bevan Technology has developed, and now manufactures and markets, the Companion interactive video (IV) system.

GOLDFIELDS INDUSTRIAL Corporation, 62 per cent-owned South African subsidiary of B. Elliott, has sold its loss-making machine tool and engineering equipment division for R4m. Certain stocks and debtors relating to the division, which accounted for 24 per cent of GIC's turnover, have been retained and are expected to raise R3m.

HAWLEY GROUP, the Bermuda-registered cleaning and services group which has just acquired Pitchard Services Group for £150m, is to pay £4.8m for the private Home Counties Cleaning Group. Just over £4.5m has already been paid, of which £3.69m was in cash and £802,906 through the issue of 692,162 shares. Hawley's share price rose 3p to 120p.

TELEVISION SERVICES International, USM film and video production company, has held discussions with the intention of acquiring Visions, a video post-production facility concern.

Rotaflex, the commercial lighting company, yesterday rejected an improved £50m offer from Emess Lighting as wholly inadequate. S. G. Warburg, Rotaflex's advisers, cast doubt on Emess's superior share rating and the consequent value of its paper offer of around 440p per share. It also said that Emess's cash alternative of 400p per share markedly undervalue Rotaflex, whose shares closed unchanged at 448p.

SOUTHEND STADIUM has paid £315,000 cash for a one third of an acre site in Hitchin Town Centre. It proposes to carry out a development on this site of 12 self-contained small office buildings.

MANDERS (HOLDINGS) has sold its entire 11.35 per cent holding in Usher Walker.

IEP SECURITIES, Mr Ron Brierley's aggressive company, has purchased another 1.2m shares in Horizon Travel and now has an 11.52 stake, up from 9.13 per cent in early May, in the UK's third largest tour operator. In April, brewing and leisure group Bass increased its stake in Horizon to 25 per cent and injected £8.5m in cash plus some assets into a joint-venture with the tour operator. Horizon's share price closed unchanged at 114p.

PROPERTY TRUSTS' rights issue to raise £2.26m before expenses was 90.8 per cent taken up by shareholders, and there were applications for the remaining shares. The issue by the USM-quoted company of 113.23m A shares of 1p at 2p was part of a capital reconstruction by the company, with which the board is now in a position to proceed.

After profits in 1982 and 1983, the company suffered heavy losses in the 15 months to end-March 1985.

UK COMPANY NEWS

Volex up 24% with all major divisions ahead

ALL MAJOR divisions of Volex Group made progress in the year to March 31 1986. Pre-tax profits of this maker of electrical controls and communication systems increased 24 per cent from £4.13m to a record £5.11m, on turnover up 19 per cent at £64.41m, against £54.27m.

The board says the company continues to plan for growth, and anticipates that the current year should produce satisfactory results.

The final dividend is raised to 6p (5p) net for a total payment up from 7.5p to 9p. Stated earnings per 25p share were 33.8p against 24.1p on a net basis or 27.8p nil basis.

There was no tax charge for the year, compared with £487,000 previously. Tax provided at the interim stage of £377,000 has ben eliminated, since detailed internal projections indicated that ACT was likely to be recoverable in the foreseeable future and that no provision was required for deferred tax.

The accessories division's sales volumes were up on the previous year, with a further substantial growth in exports, particularly to the Middle East.

Volex Wiring Systems maintained its position and the division more than doubled its capital spending over the previous year.

Volex Pencon sustained its growth record and Volex Raydex realised its targets. Only the small Volex Electronics division has yet to make a significant contribution.

Borrowings, including amounts due under finance leases, increased by £1.7m during the year to £7.1m, which gave a gearing level of 3 per cent, a rise of 2 per cent.

Working capital increased during the year to support the higher sales volume.

● **comment**

These results represent turning point in the history of Volex. After three years as a star recovery stock, the company must now take its place in the chorus line of established businesses, with a consequent slowing in the phenomenal price rise which has taken the shares from under 40p in late 1982 to 310p. This year, a return to tax payment of 15 per cent will, even on increased profits of £6m, keep earnings per share flat. But the company is not ex-growth for the management can continue to squeeze costs and expand the overseas sales of the accessories division. In addition, Volex may be tempted to dust off its chequebook and look for an ecquisition to add on to its small electronics testing division. On a prospective p/e of 9, the shares no longer look quite so cheap, although the multiple is still on a discount to the rest of the sector.

Promotion and launch costs peg Ruddle

ON TURNOVER up 7 per cent from £10.48m to £11.24m pretax profits for G. Ruddle and Company were only 2 per cent higher at £1.05m for the year to March 29 1986, against £1.03m.

Directors of the Rutland-based brewer state however that the profit was struck after £131,000 for an experimental television advertising campaign and £29,000 written-off for old plant and equipment. The development and launch costs of its new best bitter were also absorbed in the figures.

After much higher tax at £467,000 (£301,000) the earnings per 10p share for this USM-quoted company fell from 15.5p to 12.2p. A final payment of 3.2p (2.75p) is being recommended, making a total for the year of 4.6p (4p).

Mr Tony Ruddle, chairman explains the higher tax charge was due to a fall in capital spending during the year so that depreciation was higher than capital allowances. He expects the charge to return to normal levels in the future.

He adds that at the year end cash balances were £1m and further cash reserves are expected to be created during the year.

Of the present year, he says, that the benefits of recent capital spending are coming through and the year has started well with improved demand in all sectors.

● Daniel Thwaites, unquoted Blackburn brewer, reported pretax profits up at £3.31m (£3.05m) on turnover at £44.94m (£40.48m). The tax charge was little changed at £1.14m (£1.18m) and there were profits on property disposals of £1.08m (£283,000). The dividend is 7.6p (7.1p).

T & N buy-out company for USM

By Philip Coggan

Bipel, a west Midlands engineering group formed in 1981 through a management buy-out of Turner & Newall's engineering division, is coming to the Unlisted Securities Market via a £2.2m share placing.

Exactly 30 per cent of the share capital is being placed by Birmingham brokers Roy James and Co, in the form of a 6m 5p shares at 37½p each.

The price indicates a market capitalisation of around £7.5m.

The company has two main areas of business. The core is the design and assembly of compression presses for the rubber and plastics moulding industries, plus the rebuilding of existing Bipel machinery. Over 50 per cent of such sales go to the US.

In the last two years, Bipel has diversified by making two acquisitions in the field of packaging machinery, IDP and Carrington Packeging, both based in Lancashire. Turnover in the two companies now represents around a third of the group total.

The proceeds of the placing will enable the company to make further acquisitions, possibly adding a "third leg" to the moulding and packaging divisions.

Of the 6m shares being placed, 4.5m are being sold by existing shareholders, namely the directors and Investors in Industry. After the float, the management will hold 60 per cent and 3i 10 per cent.

The remaining 1.5m shares are new and will net the company approximately £429,000 after expenses.

Bipel has forecast profits for the year ending December 31, 1986 of net less than £1.15m, compared with £974,000 in 1985. On a weighted average of 19.25m shares in issue, the shares are on a prospective p/e of around 9.5.

The directors intend to recommend a final net dividend of 0.6125p, to be paid in April 1987. Had the shares been traded on the USM for the full year, the total dividend would have been 1.225p for a yied of 4.67 per cent.

Dealings in the shares start next Monday.

New products give boost to Scantronic Holdings

SUBSTANTIAL increases in both turnover and pre-tax profits are reported by Scantronic Holdings, manufacturer of electronic data communication equipment, for the year to March 31, 1986.

Pre-tax figures of this USM company were up from £709,101 to £982,114, and turnover rose from £2.55m to £4.9m.

The directors say the year has been one of significant growth and change in the group's activities. It has continued to increase its sales of communication equipment, and has successfully promoted a number of its own developed products into the security and health care monitoring markets.

Mr T. V. Buffett, the chairman, says the group's continuing success is reflected by sales orders and turnover to-date, which substantially exceed those for the comparable period last year. This performance, together with the group's plans for expansion, enables the board to look forward with confidence to a year of continuing progress.

In the second half of the year, the group's new intruder alarm control panels and Homelink medical alert system products contributed strongly to sales and earnings. The combined sales of these products accounted for epproximately 31 per cent of the group's turnover for the year.

The majority of these sales were in the UK where the products were initially introduced. In overseas markets, where the group is strongly represented, many of the necessary approvals required by relevant authorities have been obtained, and distributors are being instructed on the technical features of these products.

A final dividend of 1.15p net makes a total of 1.65p (adjusted 1.27p). Stated eernings per share were 5.73p against 4.36p.

Greenwich Cable ready to move into the black

FOLLOWING reduced first-half losses, Greenwich Cable Communications says current indications are that it will move into profit during the second six months. This would be the first time since its quotation on the USM in 1981. The shares closed 2p higher at 22p.

Net losses for the six months to February 28 1986 were cut from £230,000 to £101,000, representing a deficit per 25p share of 2p (4.6p). Turnover increased to £320,000 (£149,000), already ahead of the previous full year's £315,000.

Substantial cost savings have been introduced, which have had the effect of reducing both staff levels and general costs.

The full impact of these measures should benefit the group in 1987.

Referring to Greenwich Satellite, the board says that it noted in the annual report that it had received legal advice that no contract existed between Carricke Comunications and the company.

However, since that date, the board has been advised that a contract did in fact exist and accordingly, the company has proceeded to enter a joint venture whereby it owns 50 per cent of Satellite.

UK COMPANY NEWS

Jarvis Porter hits target and seeks growth areas

Jarvis Porter Group has met the profits forecast made in its offer for sale prospectus and is paying the promised dividend of 2p net per 10p share.

At the pre-tax level profits for the year to February 28 1986 pushed ahead to £2.53m, an improvement of 10 per cent over the previous year's £2.3m—the group is a printer and designer of labels, flexible packaging and promotional products.

Its offer for sale was oversubscribed 95 times and attracted subscriptions totalling £504m. The directors forecast that profits would be in the region of £2.5m. Listing for the shares was granted last March.

Although 1986-87 has started slowly the directors are confident, because of the strengthened management structure and benefits expected from new equipment.

They say they are seeking to expand existing markets and looking at new areas for growth.

Tha past year saw group turnover rise from £18.9m to £22.39m and operating profits by £216,000 to £2.44m. Net interest income improved to £93,000 (£78,000) but tax took £50,000 more at £966,000.

Earnings came through 1.4p higher at 8.9p a share.

During the year the group continued its policy of investment in up-to-date technology for the production of high quality labels and flexible packaging.

Plant and machinery costing some £1m was brought into operation, in addition to which progress payments of £800,000 were mada on equipment that will be installed during the current year.

In November 1985 John Waddington, the packaging and games group, appointed Jarvis Porter as sole UK and Eire licensee to develop in co-operation and market in competition with Waddington its Mono-Web labelling system.

This is a self-adhesive reel-fed system but without the necessity for the release backing paper.

There will be no contribution to profits in the current year from this development but the directors say initial interest provides optimism for the future.

The group generated a profit of £120,000 from the sale of its small leasing subsidiary.

● comment

Jarvis Porter was fated never to live up to the hype surrounding its flotation, when a prosaic package company's offer was oversubscribed 9? times. This, combined with a far from optimistic chairman's statement took its toll on the share price which fell by 5p to 140p yesterday. Jarvis Porter's problem is that however imaginative its product development programme or competitive its price structure, demand for its packaging is dictated by the pace of retail sales, and retail sales have been distinctly lack lustre in the opening months of the current financial year. This problem is compounded by the pressure imposed on margins hy increased use of costly vinyls and plastics at a time when the declining oil price has not yet been reflected in the cost of raw materials. Nonetheless the company has compensated for the pressure on margins by winning new business, with its first contract for the Nestlée Company. The City expects profits of £2.8m for 1986-87 producing a prospective p/e of 13, which is fairly valued unless retail sales recover.

HILLSDOWN HOLDINGS, the acquisitive food and furnishing manufacturer, is to buy Church Farm Turkeys (Highleigh) in a cash deal worth £1.27m. Church Farm's net asset value was £192,000 at April 30 1985.

Strong organic growth at FKB

IN ITS first year as a public company, FKB Group, the USM quoted sales promotion agency, hoisted pre-tax profits by 67 per cent from £859,000 to £1.44m. The increase was wholly attributable to organic growth.

Turnover for the year ended March 31 1986 grew 44 per cent to £10.24m. Stated earnings per 5p share rose from 5.6p to 9.45p, and there is a dividend of 2.5p net for the year.

Mr Alfred Singer, the chairman, says the current year has started well and the two new subsidiaries, Castle Sales Promotion and Wade Ferney, are expected to make a positive contribution to profits in their first full year as part of the group.

Mr Singer says the year's growth has been achieved without contribution from acquisitions, having come from companies already in the group at the beginning of the year, including those which were still relatively new start-nps at the time of the flotation in July 1985.

At the interim stage, the company reported that it was in dispute with a client on one of its projects, but this situation has since been amicably resolved.

New business gains since the year-end include two Government departments, Virgin Holidays, Bristol-Myers and Embassy Hotels. The group has also been reappointed by the Department of Energy for a further year.

The shares closed unchanged at 243p.

Brown & Tawse hit in second half by pause in economy

Brown and Tawse Group raised its profits from £5.36m to a record £5.73m pre-tax in 1985-86 despite what the directors describe as an unexpected pause in the economy during the final quarter.

Profits in the second half were static at £2.82m. It is pointed out that the pause was not generally forecast and was contrary to the prediction that the fall in oil prices would he good for the economy. Shareholders are told, however, that the benefits of lower oil prices may only have been postponed.

In spite of sales being held back during the second six months turnover for the full year (to March 31 1986) exceeded £100m for the first time and at £102.91m showed an improvement of 13 per cent over 1984-85's £91.1m.

After a little-changed tax charge of £2.18m (£2.22m) earnings came through 2p higher at 18.9p and a final dividend of 5p (4.5p) makes a net total of 7.2p, a rise of 0.7p.

The group, an industrial distributor of pipeline, steel and industrial products, made steady progress during the year making further acquisitions in related products. Subsequent action has been taken to expand these acquisitions by opening further branches.

The directors say that at year-end a radical reorganisation of the various trading companies within the group was carried out.

Broadly, they were rationalised into appropriate divisions, creating product or regional units. The new structure has increased management effectiveness and will help to reduce operating costs.

Looking ahead, the directors say although demand for steel products shows little sign of strengthening, prospects for pipeline equipment and industrial products are more favourable. Plant sales have started well following an improvement in demand for construction equipment—in the past year profits from plant sales fell from £367,000 to £216,000.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: KLP, LPA Industries, Nash Industries, Watson and Philip.

Finals: Argyll Group, Ariel Industries, Brookmount, Channel Tunnel Investments, Fairbairn, Habit Precision Engineering, Halma, Hambros, Health Care Services, Imperial Continental Gas, John J. Lees, Mansfield Brewery, Racal Electronics, Rothmans International, Wintrust.

FUTURE DATES

Interims—

County Properties	July 7
First National Finance Corpn.	June 27
First National Securities	June 27
Glasgow Stockholders Trust	July 18
Kleinwort Benson Gilt Fund	July 1
St. Modwen Properties	June 25

Finals—

ASDA-MFI	July 21
Celestion Industries	June 27
General Electric	July 1
Midland Marts	June 27
Robertson Research	July 3
S and U Stores	June 27
Toothill (R. W.)	July 8

Burns-Anderson up 80%

A strong performance by its financial services division helped Burns-Anderson to increase its pre-tax profits by 80 per cent from £369,000 to £664,000 in the half-year to March 31 1986.

This holding company, which also has interests in steel reinforcement supplies, motor distribution and shop, offices and bank fittings, had turnover up from £16.58m to £21.77m.

The directors say the profit was also helped by increased contributions from other divisions of the group. Mr Ivor Black, tha chairman, says the second half has commenced encouragingly, and he anticipates a further increase in earnings.

The interim dividend is increased from 1.25p to 1.35p net, and stated earnings per 10p share are 20 per cent higher at 2.3p (1.9p) after taking into account the 35 per cent increase in equity base due to the rights issue and acquisitions of Gordon Squire.

Profits and shares soar at Cropper

An increase in pre-tax profits of almost 2½ times by James Cropper, Cumbria-based paper and board manufacturer, saw the shares rise to a record for the year of 335p, up 40p on the day.

Directors say the increase was the result of further rises in output and the cost of raw materials returning to a more normal level.

Turnover for the year to March 29 1986 rose by 9 per cent from £25.14m to £27.48m with pre-tax profits up from £763,000 to a record £1.82m. Earnings per share rose by 26.1p to 44.2p and the directors propose to raise the final dividen from 1.65p to 1.9p, making a total for the year of 2.75p (2.25p).

Operating profits came out at £2.46m (£1.23m) and the pre-tax figure was struck after higher interest charges of £638,000 (£465,000).

At the moment the company has a full order book, the directors say, and margins have been maintained despite an increase in raw material costs. They add that once the disruption from rebuilding a machine has been absorbed it is expected that turnover and output will increase further this year.

Oliver Resources reduced its pre-tax losses from £216,816 to £163,301 in the year to October 31 1985. No dividend is being paid. Revenue from oil and gas sales improved from £79,302 to £116,965, and there was a substantial increase from £14,069 to £97,752 from interest and rents receivable.

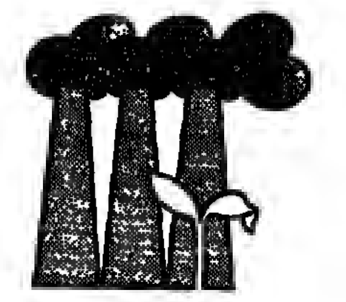
MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

Why windows on technology are difficult to open

William Dawkins, in the first of a series, looks at uncertainties surrounding the means by which big companies forge relationships with small concerns to exploit new markets



IT HAS been tried and abandoned many times. It has held out all kinds of promises which in all but a very few cases have proved impossibly elusive—and yet it stubbornly refuses to go away.

So-called corporate venturing has been attempted over the past 15 years or so with different degrees of success by large companies from Exxon in the US to Britain's Pilkington Brothers and Italy's Olivetti. Companies' reasons for employing this little understood and ill-defined development tool vary, but underlying most of them is a wish to get early access to new technologies while giving their own organisations a dash of entrepreneurial tonic.

Pioneered at the end of the 1960s in the US by 3M and Dupont—which has incidentally just taken a big stake in a British venture capital fund—the idea of looking outside the company for new ideas has gradually caught on among a few of the more adventurous European concerns like Rhone Poulenc, Elf Aquitaine, Ferranti and even Siemens.

Supporters of corporate venturing argue that it is becoming an increasingly important aid to commercial innovation and diversification at a time when many large businesses are finding that their core activities are growing more slowly. The technique is based on the premise that small companies tend to react to market changes and pick up new technologies faster than big ones, so that corporate investors in them are well equppied to latch on to new ideas before everybody else does.

Like so many venture capital buzzwords, the real meaning of corporate venturing is hazy to most people. However, big companies have got involved in venture capital in several distinct ways.

These include investment through funds in a spread of ventures, used by some as a listening post for useful technological developments; direct investment in individual businesses, typically used to cement trading or research links; venture-backed spin-outs, a way to commercialise otherwise redundant research ideas; and purely internal venturing as typified by 3M.

The classic example of how fund investment can help big companies innovate comes from Monsanto, the US chemicals group which, since the early 1970s, has put some $50m into nine funds around the world, mostly managed by the British venture capital group Advent.

Monsanto believes that this activity accelerated its move into biotechnology by two years mainly by virtue of putting it in touch with Genentech, a San Francisco-based company with which Monsanto now has an agreement for developing growth hormones for increased milk production.

A variant on the fund investment theme is to launch an internally managed venture capital fund, though these have tended to work best when given plenty of independence. Monsanto has tried this approach, as has Ferranti, which runs its own fund in New York, and Thorn EMI, which set up a venture capital operation in California three years ago.

Corporate venturers have more recently tended to concentrate more on picking their own one-off investments than going through funds, especially in the US where the number of direct investments in venture-backed companies has shot up from 100 in 1982 to 245 last year.

This is partly to do with the growing sophistication of the US venture capital market, where news of promising young companies travels faster and further than is the case in the relatively confused young European venture capital industry. Some European companies, however, have preferred the one-off approach all along, like Olivetti with its acquisitions of stakes in 25 US companies since 1979.

A rarer approach, now being promoted vigorously by 3i (Investors in Industry) in Britain, is to spin off internal research projects in partnership with outside investors.

Already practised in a few isolated instances by companies like ICI in its agricultural division and Siemens, so-called sponsored spin-outs will be the subject of an article on this page next week.

But whatever guise corporate venturing assumes—and many groups have taken a mixture of approaches—it points right to the heart of the main difficulties in forming relationships between large and small companies. Such links are very hard to form without jeopardising the entrepreneurial spirit that made the small company an attractive partner in the first place. There are no clear rules for successful corporate venturing, but the experience so far does point to some obvious pitfalls.

Even if small companies can be well equipped by their open management styles and the precariousness of their lives to pick up new ideas fast, they can easily take much longer than their big sponsors would like to commercialise them.

The result is that the temptation to intervene heavily—and ultimately destructively—from above can be overwhelming. That is why some of the most ambitious US attempts at corporate venturing, like General Electric's or Exxon's, for instance, came to grief.

Hollister Sykes, former head of Exxon's new ventures programme until its 37 investments were sold or taken over five years ago, explains in the latest issue of Harvard Business Review: "Exxon's ability to fund rapid growth might seem from the outside to be an enviable advantage. In practice, however, it tended to cushion venture managers from concern about profitability, cost control, focused product development and competitive realities."

As Exxon's ventures grew, says Sykes, so did the parent's corporate involvement in them. Its attempts to impose big company type controls "was perhaps inevitable, but the way it happened hurt the motivation of key people," he adds.

It follows that large companies will have a better chance of maintaining a sense of creativity and autonomy in their small partners if they take minority stakes. Exxon usually took majority ownership, but it is not alone in feeling the need to keep a controlling position. "Very few British companies understand the benefits of the surrogate relationship," complains Dick Onians, former new ventures manager for Monsanto and now chief executive of Baring Brothers Hambrecht and Quist, the London venture capital group.

Corporate strategic investments

One that does is Ferranti, which has restricted its exposure to 10 per cent of any venture in its US fund and has formed apparently harmonious trading links with one of them, Inference, a Los Angeles-based producer of artificial intelligence software. Ferranti has been marketing Inference products in Europe for more than a year, an idea which incidentally takes a cue from the marketing links which Olivetti has formed with its US ventures.

Assistance from the larger partner can go even further so long as it is kept at arms' length. It is a difficult balance to maintain, but it can be done, as shown by the relationship between Instem, an electronics group quoted on London's Unlisted Securities Market, and Dobson Park, the fully quoted mining engineer which owns 37.5 per cent of Instem.

The smaller partner has made full use of Dobson Park, which sees it as a strategic investment, but any takeover approach would (for now at any rate) be strongly resisted, says David Gare, Instem's chairman. Apart from selling 15 per cent of its turnover to Dobson, Instem got help from the larger company's corporate finance department in preparing for its flotation 18 months ago, has just appointed Dobson's technical director to its board and is using the group's strategic planners for acquisition advice.

"Having Dobson around has also given us more credibility with big customers like the National Coal Board (British Coal)," says Gare. Dobson, meanwhile, has not done too badly out of the investment. It paid £250,000 for a 30 per cent stake three years ago—enlarged on flotation—which is now valued at nearly £3m.

Clearly, corporate venturing demands patience and a sensitive touch on the part of the larger partner. But it also requires clarity of purpose. Muddled thinkers tend to hit trouble in venture capital. "Corporate venturing has worked best where there has been a very narrow and specific focus to the deal," says Norman Fast of Venture Economics, the US research consultancy.

Britain's Pilkington Brothers provides a telling illustration of how an unfocused corporate venturer can lose its way. The glass group is now rethinking a venture capital strategy based on the widely different aims of regenerating the economy of England's north west and seeking diversification outside the group's main business, flat glass.

Its £2.5m Rainford Venture Capital fund has 10 investments, of which only two are performing well, says Peter Shepherdson, group general manager of new opportunities. Ironically non-corporate venturers would would see that as a reasonable performance, but "we are not at all satisfied," says Shepherdson. One problem, he believes, is that veture managers' time is as divided as is the fund's strategy. They also run Pilkington divisions and when market conditions are as hard for Pilkington as they are now—last week it announced an 8 per cent decline in taxable profits—their priorities lie inevitably more within the company than with external ventures.

For a focused approach, take Thorn EMI. Its $4.5m Californian fund has one full-time manager and well defined but not over-ambitious targets. These are, says Bob Eade, group international managing director, to keep up to date with related technology, examine potentially useful products and look for opportunities to plug Californian companies into the group's European marketing networks.

The networking idea has not borne fruit yet. But, says Eade: "The fund has gotten us a hell of a lot of open doors in California. People are prepared to tell you a lot about their technology if they think you might give them some money."

In spite of the example set by Thorn EMI, Ferranti and others, corporate venturing has never really caught on in Britain. The National Economic and Development Office, which is examining ways to stimulate this kind of activity, can only find eight large British companies active in corporate venturing.

"British companies are just that much less playful than US corporations," complains Onians. By that he means they are less willing to put money into ideas which are outside their main strategies on the off-chance that something profitable might turn up.

The other problem is that large companies, not usually far sighted at the best of times, tend to get positively myopic under pressure. Bruce Lloyd, on secondment from a large UK chemicals group to Northern Investors, a Newcastle upon Tyne venture capital firm, points out: "When things are going well, large companies start looking ahead and investing for the future. But as soon as things start going badly again, priorities change. That means the roots of innovation can never get down far enough for them not to run a high risk of getting cut off if the company runs into bad times."

EEC fund opposition

PLANS by the European Commission to provide Ecu 1.5bn (£960m) in new loans for small and medium sized businesses have run into opposition from EEC member states.

The Netherlands and West Germany are most strongly opposed to the idea, which would involve borrowing money on international capital markets under the so-called New Community Instrument (NCI).

A Commission proposal to this effect has been on the table for more than a year. But in view of the reservations of member states, it has not even been considered by the Economic and Finance Ministers, who have to give their approval. Observers in Brussels give the measure no more than a "50-50" chance of being accepted.

NCI loans have been available since 1979 but only since 1983 have they been targeted at investment projects undertaken by small- and medium-sized businesses. The scheme is administered by the Luxembourg-based European Investment Bank (EIB) which operates a system of "global loans" whereby financial intermediaries like banks and venture capital organisations receive sizeable tranches which are then parcelled out in smaller sums on the EIB's behalf.

NCI money, which has been available to small- and medium-sized businesses regardless of location, should not be confused with the EIB's resources which are aimed primarily at small- and medium-sized enterprises in the Community regional development areas.

The appeal of both NCI and EIB funds to smaller companies has lain in the combination of a relatively low interest rate allied to cheap exchange rate cover as insurance against currency movements. Last year, however, the UK Government withdrew its exchange rate scheme with the result that NCI and EIB global loans are no longer advantageous.

The Dutch and German argument is that the NCI is an unnecessary duplication of EIB reseources and that sufficient funds are available to small and medium sized projects on the commercial markets. Self interest, however, may play a part. The biggest beneficiaries of NCI funds in 1985, for example, were the Italians and the French (with allocations of Ecu 349 and Ecu 302 respectively) with Denmark, Greece and the UK the only other takers.

Tim Dickson

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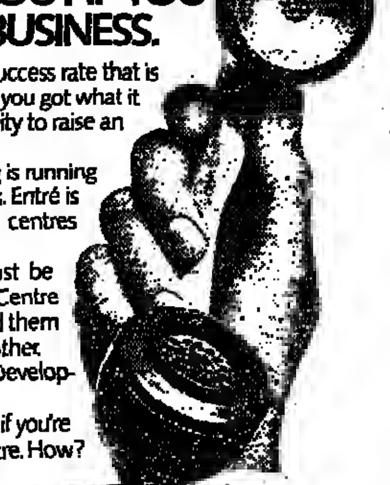

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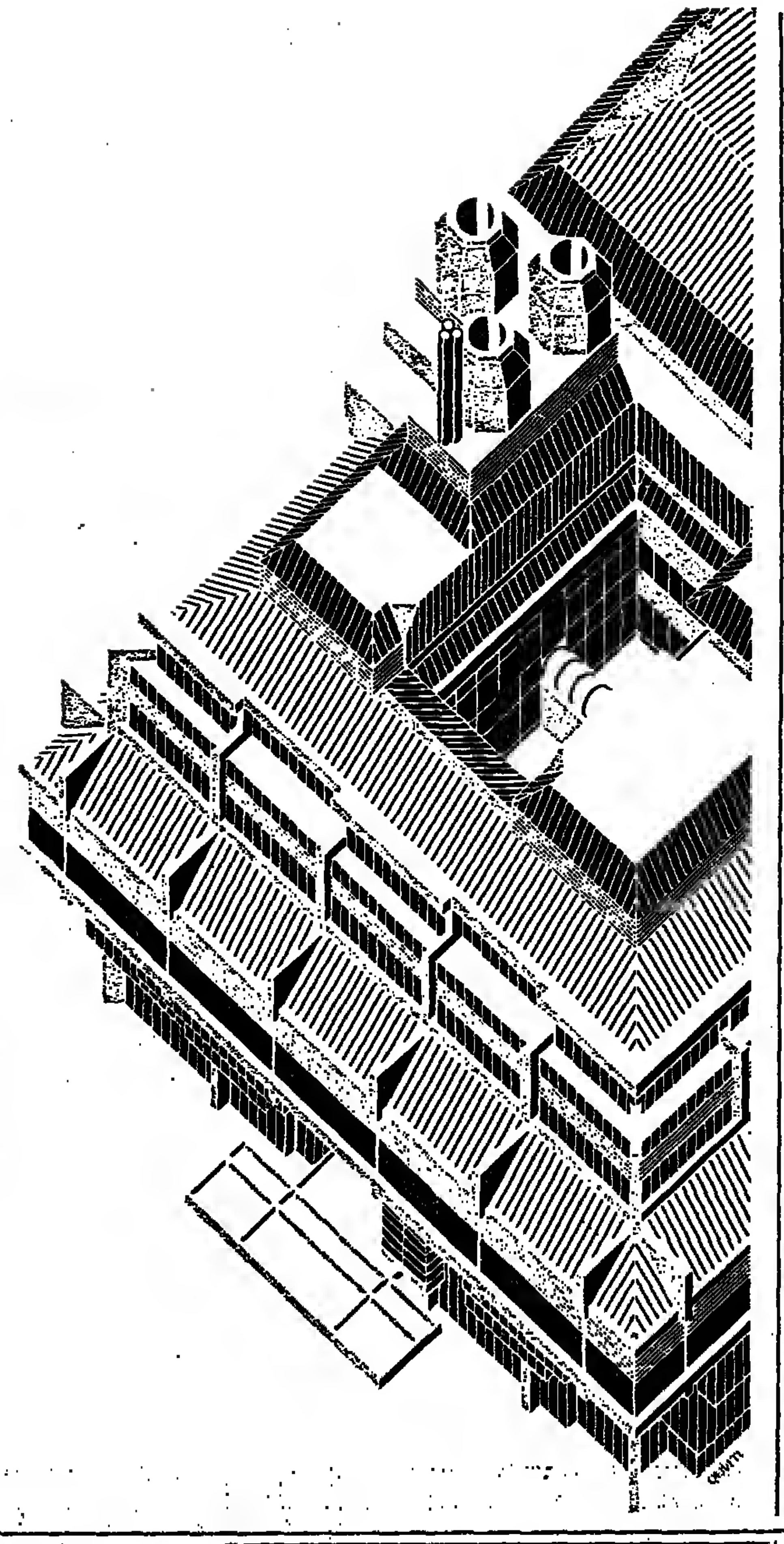

FT LAW REPORTS

Joint solicitors' account holds premium money for liquidator

IN RE MULTI GUARANTEE CO. LTD.
Court of Appeal (Lord Justice Lawton, Lord Justice Stephen Brown and Lord Justice Nourse): April 17 1986

MONEY DEPOSITED in a joint solicitors' account is held on resulting trust for the depositor if the terms of withdrawal are uncertain and there is no manifest intention that it is to be held on trust for a particular beneficiary; and accordingly, where a company pays in money representing insurance premiums obtained under its extended warranty scheme and it is held in the account in temporary suspension for no specified purpose, it is not held on trust for participants in the scheme but goes back to the company's liquidator on winding-up.

The *Court of Appeal* so held when dismissing an appeal by Vallances Ltd from a decision of *Mr Justice Harman on a preliminary issue* (FT, August 15 1984) that it was not entitled as against the *liquidator of Multi* Guarantee Co Ltd to £247,410 held in a joint account by solicitors acting *for Vallances and* Multi Guarantee respectively.

LORD JUSTICE NOURSE said that Multi Gnarantee was formed in July 1976 to market extended warranties for domestic appliances and apparatus. Such warranties provided insurance against failure of the goods after expiry of the initial manufacturers' warranty.

In March 1982 Vallances, which owned a substantial chain of shops in the north of England, was approached by Multi Guarantee to market the extended warranty scheme for the benefit of its customers.

Between April and August 1982 Vallances started to operate tha scheme. It was begun on a series of clear and repeated assurances given to Vallances by or on behalf of Multi Guarantee that cover had been obtained for the scheme from underwriters at Lloyd's.

The application form signed by Vallances' customers contained a statement that payment must be made through Vallances, and that "the contract of insurance will be arranged and administered by Multi Guarantee."

From that and other indications it appeared possible that the *customers* were *in direct* contractual or quasi-contractual relationship with Multi Guarantee and that Vallances merely acted *as agent*.

On that footing any claims the customers could make for recovery of premiums paid over by Vallances to Multi Guarantee would have lain against Multi Guarantee. *However*, as a matter of fair dealing and commercial reality, Vallances had throughout regarded itself as responsible for the protection of its customers' interests.

It was not long before Vallances became dissatisfied with the scheme. After December 2 1982, although it continued to collect premiums from its customers, it made no further payments to Multi Guarantee. By that date it had paid over to Multi Guarantee premiums amounting to £251,933. After January 6 1983 the monies were retained by Vallances in a separate designated account.

The main reason for taking that course was the publication in the Financial Times of January 4 of an article which showed it was possible that cover for the Vallances and *similar schemes* had never in fact been obtained at Lloyd's. Lloyd's set up an investigation *as to the* true position.

By January 21 both sides had instructed solicitors. It appeared *from the* evidence that Vallances requested the return of the money. That was not refused, bot *it* was *not* agreed to. Vallances' primary concern was said to be to safeguard the premium monies.

At a meeting on January 28 between Vallances and Multi Guarantee, it was agreed that the money currently held by Multi Guarantee would be placed in a joint deposit account with a signature required from both firms of solicitors but with no detailed *terms* as to the basis of withdrawals.

The transfer into the joint account took place on February 1. On February 18 Vallances paid just under £580,000 to new insurers to provide alternative insurance cover for its customers. On February 25 Lloyd's wrote to Vallances' solicitors enclosing extracts from the report of the investigation, which showed there was no cover for the Vallances scheme at Lloyd's.

In due course the terms of an agreement under seal to be executed between Multi Guarantee and Vallances dealing with the release of the monies in the *joint account* were negotiated between the solicitors. Those terms provided for the monies to be released to Vallances. The agreement included an indemnity by Vallances in favour of Multi Guarantee against liabilities *arising out of insurance* claims against Multi Guarantee by Vallances customers.

The deed was executed by Vallances, but it had not been executed by Multi Guarantee when, on *May 20*, it presented its own winding-up petition. A winding up order was made on June 27.

Vallances claimed that Multi Guarantee constituted itself trustee of the *£247,410* for the benefit of Vallances. So, it was claimed, the money did not form part of the assets available to satisfy creditors' claims in the liquidation. Mr Justice Harman held that Multi Guarantee did not constitute itself trustee for the benefit of Vallances. Vallances appealed.

In order to succeed on the appeal Vallances must show on the totality of the evidence that when Multi Guarantee transferred the money into the joint account it effectively divested itself of all beneficial interest therein.

In *re Kayford [1975] 1 WLR 279* Mr Justice Megarry said that "a trust can be created without using the words 'trust' or 'confidence' or the like: the *question* is whether in substance a sufficient intention to create a trust has been manifested."

Accordingly the question was whether in substance a sufficient *intention* to *create* a *trust* was manifested by Multi Guarantee.

Although contemporaneous documents *might disclose* that an intention that the account should be a trust account existed in the mind of Vallances, there was no evidence that it ever existed in the mind of Multi Guarantee.

At all stages between January 4 and January 28 the position was uncertain and it was recognised on all sides that it would remain uncertain until the Lloyd's report had been published.

Mr Crystal for Vallances submitted that Multi Guarantee did manifest a sufficient intention that the money should be used exclusively for one or other of three purposes, none of which could involve its return to the beneficial ownership of Multi Guarantee.

Those purposes were, first, payment to Lloyd's underwriters if cover in fact already existed; secondly, payment to other acceptable underwriters with whom cover could be obtained; and thirdly, repayment to Vallances.

On the contemporaneous documentary evidence there were other *possibilities* which were in mind, in particular the possibility that Multi Guarantee would need *some protection* against claims made by Vallences' customers against them direct.

Mr Justice Harman said that the money was held by the solicitors subject *to some* form of obligation "because they plainly did not hold it for their own benefit, but the exact obligations were never worked out. . . . In the upshot . . . the money is held by the solicitors . . . on a resulting trust for the payer. . . . It was held . . . to await the outcome of uncertain results. The hoped-for outcome is now never capable of being reached and in the circumstances the money results back to Multi Guarantee."

The conclusion at which the judge arrived was entirely correct and could not be faulted. Multi Guarantee never did *manifest* a sufficient intention to create a trust and the requisite certainty *of words* was not there.

On the footing that no trust was created oo February 1, Mr Crystal argued that the case was governed by the rule io *ex parte James (1874) 9 Ch App 609*, that the court would *direct* a trustee *in* bankruptcy not to insist on his full legal rights if it would be unacceptable *for him to do so*.

The principle was subject to qualifications of which the most *important* was that *the court* would only take that course where it would be dishonest or shabby or the like *for the* trustee to insist on his full legal rights.

The facts of the present case did not come anywhere near the kind of facts which fell within the principle. *It* could not be dishonest or even shabby for the liquidator to seek to uphold tha interests of the general body of creditors as against Vallances.

The appeal should be dismissed.

Lord Justice Stephen Brown agreed. Lord Justice Lawton gave a concurring judgment.

For Vallances: Michael Crystal, QC, and Simon Mortimore (Hepworth & Chadwick, Leeds).

For the liquidator: John Chadwick, QC, and Elizabeth Gloster (Coward Chance).

By Rachel Davies
Barrister

Legal Notices

STONEGRANT LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of the above-named Company will be held at the offices of Leonard Curtis & Co., situated at 30 Eastbourne Terrace (2nd Floor), London W2 6LF, on Tuesday the 1st day of July 1986 at 10 o'clock in the forenoon, for the purposes provided for in Sections 589 and 590.

Dated the 16th day of June 1986.
N. A. LANE,
Director.

INTEGRATED BUSINESS COMMUNICATIONS PLC

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act 1985 that a Meeting of the Creditors of the above-named Company will be held at Connaught Rooms, Great Queen Street, London WC2B 5DA, on Tuesday, the 8th day of July 1986, at 12.00 o'clock noon, for the purposes mentioned in sections 589 and 590 of the said Act.

Dated this 12th day of June 1986.
By Order of the Board,
D. F. ATKINSON,
Director.

K. & J. BUILDERS LIMITED

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Dated the 17th day of June 1986.
K. JONES,
Director.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P E Ratio
§125	F.P.	24/7	142	136	‡Accord Publications 5p	142	+E	Rd3.1	2.6	3.1	17.9
150	F.P.	30/6	151	138	Alumasc Group	150		R5.85	2.5	5.5	10.4
115	F.P.	11/7	180	155	Orimpon Sec. 10p	175	−5	b1.7	4.3	1.4	24.0
150	F.P.	20/6	161	148	Barker (Charles) 5p	150		u3.0	3.1	2.8	16.3
147	F.P.	4/7	140	130	Blick 5p	137	−3	u5.4	3.1	3.5	13.1
145	F.P.	25/7	175	160	Bredero Props	160	−3	R4.25	2.3	3.7	13.6
§60	F.P.	20/6	61½	54	‡Brit. Isl. Airways 10p	57	−1	bd2.82	2.1	7.0	7.9
§110	F.P.	—	115	108	‡C'bell & Armstrong 5p	110		u3.91	1.9	5.0	10.0
§130	F.P.	4/7	167	150	‡Clarke Hooper 5p	151	+1	b2.3	2.9	2.2	22.7
§125	F.P.	6/6	138	123	Comb. Lease Fin. 50p	127	−3	L1.35	3.9	1.5	18.3
107	F.P.	27/6	131	113	Dalepak Foods 5p	125		R2.3	3.2	2.6	17.0
§155	F.P.	6/6	232	172	‡Davies (D.Y.) 5p	216		u3.4	2.7	2.2	23.3
§50	F.P.	11/6	62	50	‡Dean & Bowes 5p	62		L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	133	‡Debfor 10p	136		u4.0	2.7	4.1	12.8
§58	F.P.	4/7	63	59	Demstrow Intl 5p	63		u1.65	2.1	3.7	16.1
§39	F.P.	27/6	42	32	‡Eadie	41	−1	R1.75	2.0	6.0	9.9
320	F.P.	17/7	123	131	Evans Halshaw	122	−1	u3.38	3.1	6.7	8.0
140	F.P.	4/7	130	120	‡Fields (Mrs) Inc$0.05	120		R04.5c	2.6	2.6	15.2
—	—	—	35	27	German Secs. Warrts	32		—	—	—	—
150	F.P.	—	155	150	Guthrie Corp	153	+1	u5.3	2.2	4.9	9.8
140	F.P.	20/6	150	141	Haggas (John) 10p	142	−1	ud3.0	3.2	3.0	14.7
§85	F.P.	—	93	90	‡Hodgson Hldgs 5p	91		R2.13	2.3	3.3	16.5
104	F.P.	—	118	90	Jurys Hotel	106		u3.75	2.1	5.0	11.7
345	F.P.	16/7	130	125	Lopex 5p	130		R4.0	2.3	4.3	13.9
§¶	F.P.	—	62	49	Merlin Int'l Props	54	−1	a0.58	2.0	1.5	40.0
157	F.P.	26/6	157	345	‡Monotype Corpn 10p	156	+2	R4.4	1.6	4.0	15.5
165	F.P.	18/6	190	170	P-E International 10p	180		1.8	3.4	1.4	29.0
§100	F.P.	27/6	105	103	‡Savage Group 20p	104	+1	R3.0	2.5	4.1	13.8
—	F.P.	—	43	43	Smith Newcourt War'ts.	43		—	—	—	—
§40	F.P.	—	42	38	‡Soundtracs 5p	39	−1	b1.2	2.8	4.3	11.6
§95	F.P.	—	130	107	‡Task Force 5p	107		R1.78	3.8	2.3	15.8
112	F.P.	—	121	116	Tedby 50p	119	−1	u4.0	2.6	4.7	9.2
§100	F.P.	23/6	102	91	‡Usher (Frank) 5p	92	+1	u4.5	1.9	6.9	11.0
§110	F.P.	26/6	149	123	Worcester 10p	149	+2	u3.91	2.2	3.7	14.7

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¶	Nil	—	11pm	7pm	Aman 8% Cum. Conv. Red. Pref.	7pm	
§97.997	£25	—	25⅛	25⅛	Bankers Inv. Tst. 10½% Deb. 2016	25⅛	
§99.50	£10	28/8	9¼	9	Bristol Water 9.8% Red Deb '96	9	
§99.256	£30	29/8	30¼	27⅞	Brit. Alcan Aluminium 10⅞% Deb. 2011	27½	+⅛
¶¶	F.P.	—	99½	97	Brit. Emp. Secs. 10⅛% Deb. 2011	97½	
§94.203	£25	31/10	25⅝	23¼	Broxton Est. 9.5% 1st Mort Deb 2026	23½	+⅛
100	£10	14/8	10¼	8¼	Cambridge Water 10% Red Deb '96-98	9	+¼
109.89	£40	29/8	40	37⅛	Estates & Gen. 11¼% 1st Deb. 2018	37½	+⅛
§94.45	£30	—	29⅞	29¼	European Inv. Bank 9% Ln 2001	29⅞	+¼
0	Nil	4/8	7½pm	6pm	Friendly Hotels 5% Conv. Cum Red. Pref.	6pm	
97.963	£25	24/10	25⅛	20¼	Gt. Portland 9½% 1st. Mort. Deb. 2016	20¼	
105.523	£25	21/8	26	20⅛	Land Securities 10% 1st. Mort. Deb.25	20½	+¼
§99.951	£40	14/7	42	37	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37	
§99.793	£25	24/9	24⅝	21⅛	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	
100	£10	14/8	10¼	8¼	Mid Southern Water 10% Red Deb '95-98	9	+¼
—	F.P.	—	100⅛	99⅞	Nationwide 9⅞ 15/6/87	99⅞	−⅛
§97.50	F.P.	—	97⅞	97	Paribas Concorde Tst. 9.364% Deb. 1991	97	−⅛
§99.623	£40	30/6	41¼	36	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	36	
§87.179	£30	26/9	30⅞	28⅛	Portugal 9% Ln. 2016	28⅞	+⅛
§99.888	£40	1/8	44	39½	Queens Moat 10¼% 1st. Mort. Deb. 2020	39½	
§105	£50	—	45½	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	45½	+1
§99.480	£25	18/7	31⅛	24¼	S.E. 10⅞% Mort. Deb. 2016	25¼	+⅛
§99.50	£10	28/8	9¼	8½	Sund. & S. Shields Wtr 9.8% Rd Db '96	8¾	+¼
§48.835	F.P.	15/8	48¼	47⅛	Tesco 4% Uns Deep Dis Ln 2006	48	+½
¶¶	F.P.	—	125p	112p	Tomkins (F.H.) 5.6% Cum. Cnv. Red. Prf	125p	
99.073	£25	8/8	25¼	23⅞	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	23⅞	
¶¶	F.P.	—	106	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	106	
£100	£50	12/9	50⅛	47½	Witan Inv. 8½% Deb 2016	47⅞	+¼
§100	£10	14/8	10¼	8¼	York Water 10% Red. Deb. 1996/98	9	+¼

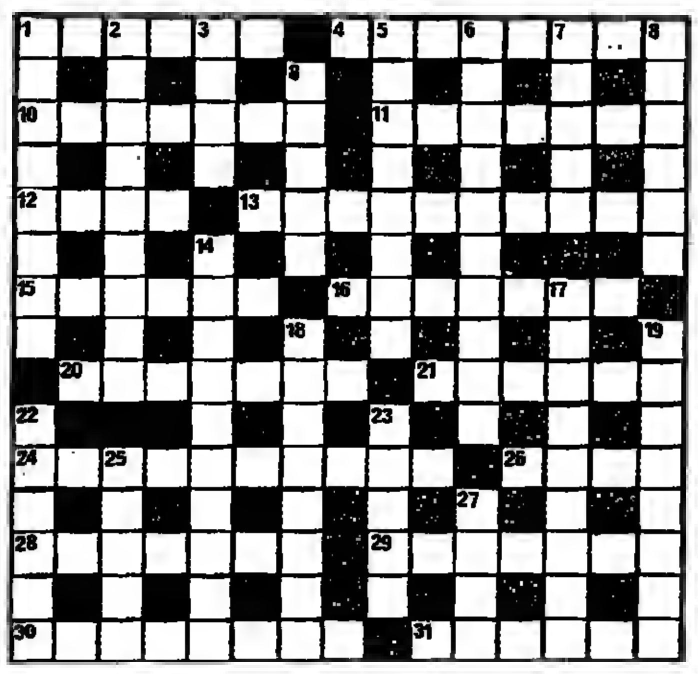
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
470	Nil	—	200pm	112pm	Antofagasta Hldgs. £1	125pm	
355	F.P.	18/7	420	402	Berkeley Group	420	
110	F.P.	11/7	139	132	Britannia Arrow	137	
190	Nil	8/8	45pm	28pm	Clifford's Dairies	28	
170	Nil	8/8	27pm	22pm	Do A N/V	22pm	
30	F.P.	18/7	41	34	Feedex Agricultural 10p	37	
47	Nil	15/8	11pm	9pm	Five Oaks Invs.	9pm	
300	Nil	24/7	45pm	28pm	Gerrard & Nat'l	28pm	−2
235	F.P.	18/7	263	240	Lep. Group 2p	245pm	
235	Nil	11/7	27pm	12pm	McCarthy & Stone 20p	18pm	
45	Nil	11/7	50pm	43pm	Molynx 20p	45pm	
200	Nil	18/7	305pm	250pm	Nat West Bank £1	287pm	−11
18	Nil	23/7	5pm	1pm	Neil & Spencer 10p	3pm	
2	F.P.	15/7	4¼	2¼	‡Property Trust 'A' 1p	4¼	+¼
600	F.P.	22/7	835	748	Prudential Corp	835	+5
½	Nil	11/7	2½pm	1¼pm	Rotaprint ½p	2½pm	
285	Nil	—	50pm	43pm	Scottish TV 10p	50pm	

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by lastest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮▮ Allotment price. ‡ Unlisted securities market. †† Dealt in under Rule 535 (3). ψ Dealt in under 535 (4) (e) †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE No. 6,055

QUARK



ACROSS

1 Ring sounding like a bird (6)
4 Complete in pallid short work of 1 down 10 (8)
10 See 1 down
11 Book place for animals (7)
12 Eros somehow got up here! (4)
13 Peel ration that's digested and connected to one's innards? (10)
15 Afraid to lose capital (getting a rebuke) (6)
16 With certain County it's combined rooms there (7)
20 Cleaned the deck—Plymouth sailor's plot? (7)
21 Reverse and drive back round one (6)
24 Relating to swimming lesson with National one for first two (10)
26 Horse seen in Epsom area (4)
28 I'm beat—a silly from the surrounding region (7)
29 T always will, being farthest (7)
30 Set aside odd part of New York (4, 4)
31 The class to cut, we hear (6)

DOWN

1 and 10 across. English County writer (8, 7)
2 For fixing jailer, food comes first (4, 5)
3 Kind of chamber. Every criminal has one, giving starts (4)
5 1 down and 10 provided for these rendered (8)
6 One side of canal from 1 down 10? (4,2,4)
7 Re-dig ground for funeral contribution? (5)
8 Sort of match to require the French (6)
9 Start off—curve on road—traffic signal (5)
14 British "horsemen" from 1 down 10? (3, 7)
17 and 27 Cutting contribution from 1 down 10 (3,8,4)
18 Supplied fully without lapse—like a saw (8)
19 Like no short street twisting in the Midlands (8)
22 See 23
23 and 22 This is food and drink to 1 down 10 (5,3,3)
25 Part of flower-tub especially seen on television equipment (5)
27 See 17

Solution to Puzzle No. 6,054

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	66.4	71.4xd	+1.0	1.6
Far East & Gn. Tst.	90.9	96.7	+0.3	1.0
Intl. Growth Tst.	66.T	72.1xd	+1.5	0.8
Income Tst.	80.2	86.3	+0.3	5.6
Japan Growth Tst.	109.2	11F.5	+0.3	0.2
Small Cos. Tst.	117.0	126.7	+0.F	1.4
Tchnlgy. Tst.	33.9	36.4	+0.3	0.2
Australia Trust	43.0	46.2	...	1.9
UK Trust	126.0	135.1xd	−0.7	2.8
European Growth Tst.	48.5	51.7	+0.8	1.2
Hong Kong Tst.	21.0	22.3	+0.2	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	16.2	17.3	+0.2	0.15
Pacific Basin	14.3	15.2		0.2
Canadian Balncd Grwth.	61.9	66.1	+1.2	0.94
Genmr Man	99.0	103.1	+0.2	T.9

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smlr Co's Ut	57.0	58.6	+0.2	1.50
British Growth Ut	66.8	68.7	+0.6	1.75
British Income Ut	65.3	67.1	+0.3	4.75
British Extra Yield(z)	51.5	53.0	+0.1	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.2	68.3		0.99
U.S. Govmt Bond F	50.502	0.504	−0.043	−

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	49.4	52.6	+0.2	T.57
Growth Trust	51.2	54.5	+0.4	2.24
Income Trust	55.8	58.6	−0.1	4.99

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.3	70.0xd	...	3.67

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.4	128.1xd	+0.3	3.46

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd
PO Box 93 Cardiff CF1 4HW 0222 35542

AA Friendly Sy June 13	105.0	...	−

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser. 1	204.2	215.0	...	−
Equity Ser 1	105.4	111.0	+0.5	−
Pens. Acc. Ser 7	274.4	289.4		−
Equity Ser 2	111.8	117.7	+0.6	−
Selective Acc	238.5	251.1	+0.8	−
Prop. Ser 4	211.1	228.6		−
Equity Ser 4	115.1	121.2	+0.6	−
Fixed Int. Ser. 4	190.0	200.0	−0.4	−
Indexed Inv. Ser. 4	115.4	121.5		−
American Ser. 4	267.9	282.1	+5.5	−

Cannon Assurance Ltd—Continued

Index	113.4	120.0		
Far East	164.8	174.4	−1.2	−
Global	94.9	100.4		
European	95.6	101.2		
Japan	98.2	103.9	+0.6	
2nd Series Pension Accumulation				
Equity	499.9	518.4	+1.9	
High Income	322.1	341.5	+1.6	
Property	276.9	293.0		
Managed	336.4	356.0	+1.5	
Deposit	248.1	262.5	−	
Gilt	255.2	270.1	−0.8	−
American	392.6	415.4	+5.3	−
International Money	253.4	268.1	−0.7	
Index	124.0	131.2		−
Far East	177.8	188.1	+1.2	−
Global	95.0	100.5		−
European	96.0	101.5		−
Japan	99.2	105.0	−0.9	−
Other Funds				
Equity Units		66.52	+0.26	−
Property Units		21.11		−
Equity Bond/Exec	41.57	43.99	+0.17	−
Property Bond/Exec	28.46	30.12		−
Balanced Bond/Exec	33.31	35.25	+0.14	−
L&E SIF 1	109.0	115.5	+0.5	−
L&E SIF 2	71.5	75.5	...	−

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	98.0	104.0	...	−
Risk & Reward Bond	120.0	127.0	...	−
Murray Johnstone Fd	116.0	123.0		−
Money Market Fd	99.0	105.0		−
Ivory & Sime Pens Fd	94.0	100.0		−
Risk & Reward Pens Fd.	102.0	108.0		−
Murray J'stone Pens Fd.	114.0	120.0	−	−
Money Market Pens Fd	99.0	105.0	...	−

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent. Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.0	117.7	...	−
Money Fund	218.5	230.0		−
Managed Fund	400.0	421.1	+0.5	−
Equity Fund	251.1	264.4	+0.2	−
Fixed Interest Fund	147.7	155.5	−0.2	−
Far East Fund	181.6	191.2	+0.8	−
North American Fund	191.2	201.3	+1.0	−
Natural Resources Fund	132.0	139.0	+0.4	−
S.U.M. Flag Fund	120.5	126.9	−0.1	−
Pension Managed Fund	374.4	394.2	+0.7	−
Pension Equity Fund	241.6	254.4	+0.6	−
PBR Fund	121.0	127.4		−

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	130.0	136.9	+0.1	−
Equity	151.4	159.4	−0.8	−
Property	107.6	117.3	+0.1	−
Gilt & Fixed Interest	116.0	122.2	+1.6	−
Indexed Securities	101.6	107.0		−
Cash	106.1	111.7	+0.1	−
North American	109.6	315.4	+0.4	−
Far East	111.0	123.2	+0.1	−
International	119.0	125.3	+0.3	−
Special Situations	141.4	148.9	−0.3	−
International Income	138.3	145.6	+1.3	−
American Income	114.2	120.3	+1.4	−
European	128.1	134.9	−0.5	−
Flexible Retirement Plan				
Mixed	132.4	139.4	+0.1	−
Equity	146.7	154.5	−0.5	−
Property	110.7	116.6	+0.1	−
Gilt & Fixed Interest	123.2	129.7	+0.5	−
Indexed Linked	104.8	110.4	+0.2	−

INSURANCE, OVERSEAS & MONEY FUNDS

Skandia Life Assurance Co Ltd—Cont

UK Provident

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co. Ltd.

Teachers' Assurance Company Ltd

Transatlantic Life Assur Co Ltd

Trident Life Assurance Co Ltd

Tunbridge Wells Equitable

Tyndall Assurance/Pensions

MANAGEMENT SERVICES

Cannon de Vere Investments Ltd

FPS Management Ltd.

First Financial Services PLC

Noble Lowndes & Partners Ltd

The Normanton Group

PBR Fund Management Ltd.

Sharp (Albert E) & Co

OFFSHORE AND OVERSEAS

Actibonds Investment Fund SA

Adig Investment

Albany Fund Management Limited

Alliance Capital Management Intl. Inc.

Allied Dunbar International Fund Mgrs.

Arbuthnot Securities (C.I.) Ltd

BAII Multicurrency (SICAV)

BIA Bond Investments AG

BNP Inv Mgmt (Jersey) Ltd

Julius Baer Bank & Trust Co Ltd

Bamford Brandt Guernsey Mngt. Ltd

The Bangkok Fund

Bank of America International SA

Barclays Unicorn International

Barclays Fund Managers (Guernsey) Ltd

Baring International Group

Barrington Mgmt (CI)—Barrington Fd

Bishopsgate Commodity Ser. Ltd

Brazil Capital Services Ltd

Bridge Management (Guernsey) Ltd

Bridge Management Ltd

Britannia Intl. Investment Mngmt Ltd

Brown Shipley Fund Mgmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CAL Investments (Bermuda) Ltd

Capital International

Capital Preservation Fund Intl.

Cater Allen Investment Management (CI)

Charterhouse Bank

Charterhouse Fund Mngt. (C.I.) Ltd

Citibank (CI) Ltd "Citifunds"

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Craigmount Fixed Int. Mngrs. (Jersey)

Credit Suisse

DWS Deutsche Ges. F. Wertpapiersp

Daiwa Investment Trust Co Ltd

Dartrust Management (Guernsey) Ltd

Dean Witter World Wide Investment Trust SA

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Co. Ltd

Dunedin Unit Trust Mgrs (Bermuda) Ltd

Dunn & Hargitt Group

EBC Trust Company (Jersey) Ltd

The English Trust Group

Equitilink International Mgmt Ltd

Equity & Law International Life Assur Co Ltd

Ermitage Management Ltd

Ermitage Management Cayman Ltd

Eurolife Assurance Group

S.G. Europe Obligations SA

Eurotax Investments Ltd

Fidelity International

Fleming Group

Forbes Securities Management Ltd

Foreign & Colonial Management Ltd

Formosa Fund

Framlington Overseas Fund Mngt. Ltd

Frankfurt Trust Investment—GmbH

Frobisher Fund Limited

GT Management (UK) Ltd

Gartmore Fund Managers Ldn. Agents

Gartmore Fund Managers International Ltd

Gartmore Fund Managers (Far East) Ltd

Assicurazioni GENERALI SpA

Gentrust SA

Global Asset Management Corp.

John Govett Mngmt (Guernsey) Ltd

Granville Management Limited

Grindlay Vanguard Management Limited

Gréfund Invest Managers (Guernsey) Ltd

GIC A NAV Mar 22

Guinness Mahon Fund Mgrs (Guernsey) Ltd

Hambros Bank Ltd

Hambro Pacific Fund Mgmt Ltd

Hambros Fd Mgrs (CI) Ltd

Hellerup Scandinavian Fund Ltd

Henderson Admin. (Guernsey)

Henderson Management SA

Heritable & General Fund Mngrs (Jersey) Ltd

Hill Samuel FD. Mngrs. (Guernsey) Ltd

Hill Samuel Investment Mgmt Intl SA

Holborn Fund Mngmt (Guernsey) Ltd

Holborn Fund Mngmt (Jersey) Ltd

I.C. Trust Managers Ltd

IGF Management Services Inc

NV Interbeheer

International Bond Trust

Investissements Atlantiques SA

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Leopold Joseph & Sons (Guernsey)

Kleinwort Benson Group

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Korea Growth Trust

Korea International Trust

Lazard Brothers & Co (Guernsey) Ltd

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bank (CI) U/T Mgrs.

Lloyds Bank Geneva Switzerland

Lloyds Intl. Money Market Fund Ltd

MFM Ltd.

M & G (Cayman) Ltd

M & G Island Fund

Man International Futures

Management International Ltd

Mannin International Ltd

Manufacturers Hanover Geofunds

Midland Bank Trt. Corp. (Jersey) Ltd

MIM (Jersey) Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Murray, Johnstone (Inv. Adviser)

NEL Britannia Int Ass Ltd

NM Income & Gwth Fd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Nikko Intl. Cap. Mngt. Co (Europe) Ltd

Nomura Growth Fund SA

Northgate Unit Tst. Mngr. (Jersey) Ltd

North Star Group of Companies

Norway Fund Management A/S

PFC Internatl Portfolio Fd Mngt Ltd

Pacific Basin Fund

Pacific Growth Fund

Paintair Bond Fund SA

Perpetual UT Mngrs (Jersey) Ltd

Phoenix International

Premium Life International Ltd

Prestige Management S.A.

Providence Capital International Ltd

Strategic Metals Corp plc Metal Funds

Strategic Metal Trust Mngrs. Ltd

Stronghold Intl Mngt Ltd

Stronghold Management Limited

Putnam International Advisers Ltd

Quantum Fd NV Curacao

Quasar Fund

Quilter/Heinold Commodities

Quilter International Management Ltd

Rea Brothers (IoM) Ltd

Rothschild Asset Management (CI)

Rothschild Australia Asset Mgmt Ltd

Rouse Woodstock (Bermuda) Limited

Royal Bank of Canada Funds

Royal Life Intl. Ltd

Royal Trust International Fd. Mngt. Ltd(a)

SCUTECH SA

Sabre Futures Fund Ltd

Save & Prosper International

Scandinavian Bk Fd Mgrs Ltd

Schroder Mngt Services (Jersey) Ltd

J. Henry Schroder Wagg & Co Ltd

Schroder Fin. Mngt. Intl. Limited

Schroder Worldwide Selection Fund Limited

Scrimgeour Kemp-Gee Mngmt., Jersey

Securities Selection Ltd

Sentry Assurance International Ltd

Seoul International Trust

Seven Arrows Fund NV

Singer & Friedlander Ldn. Agents

Skandifond International Fund

Societe Generale Merchant Bank plc

Standard Bank Fund Managers

Standard Chartered Off. Money Mkt Fund

TSB Trust Funds (CI)

Taiwan (ROC) Fund

Target International Management Ltd

Target Investment Management Limited

Thornton Management Ltd.

Tokyo Pacific Holdings NV

Tokyo Pacific Hldgs. (Seaboard) NV

Top Brand Fund International

Tyndall Guardian Managers (Jersey) Ltd

Tyndall International Assurance Ltd

Tyndall-Guardian Mngt Ltd

M. G. Tyrrell & Co. Ltd.

US Federal Securities Fund SA

US Pacific Stock Fund

U.S. Treasury Securities Fund Ltd

Union Invest Fd Mngt Co SA Lux

Union-Investment-Gesellschaft GmbH

United Fund Managers Ltd

Viking Fund—SICAV

Warburg Investment Management Jersey Ltd

Warburg Inv Mngt Jersey—Cont

Warburg Inv Mngmt (Isle of Man) Ltd

Wardley Fund Managers (Jersey) Ltd

Wardley Investment Services Ltd

WestAsea Secs. (Guernsey) Ltd

World Bond Fund

World Fund SA

World Wide Growth Management

Yamaichi Dynamic Mngt Co SA

Zero Bond Fund Limited

Money Market Trust Funds

The Charities Deposit Fund

The Money Market Trust

Oppenheimer Money Management Ltd

Money Market Bank Accounts

Adam & Co. plc

Aitken Hume

Allied Arab Bank Ltd

Bank of Scotland

Barclays Prime Account

Britannia Investment Services Ltd.

Charterhouse Bank Limited

Citibank Savings

Co-operative Bank Cheque & Save

Darlington & Co Ltd

Edward Manson & Co Ltd

Henderson/Bank of Scotland

Legal & General (Money Mngrs) Ltd

Lloyds Bank PLC

Lombard North Central PLC

M & G/Kleinwort Benson

Midland Bank plc

NatWest Special Reserve Account

Oppenheimer Money Mngmt Ltd

Phillips & Drew Trust Ltd

Provincial Trust

Royal Bank of Scotland plc

Save & Prosper/Robert Fleming

Tyndall & Co

J. Henry Schroder Wagg & Co Ltd

Western Trust & Savings Limited

NOTES

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC plans tougher fishing controls

BY TIM DICKSON IN BRUSSELS

THE EUROPEAN Commission is preparing to get tough with countries which flout the EEC's fishing rules.

Officials in Brussels hope that Fisheries Ministers meeting in Luxembourg tomorrow will endorse their efforts to step up enforcement of the conservation provisions of the Common Fisheries Policy (CFP), which, since its adoption in 1983, has restricted the size of the Community catch.

In particular the Commission now aims to take offending member states to court and is seeking enhanced powers for its own inspectorate.

A report completed recently by the Commission singled out the Netherlands, France and Ireland for particular criticism, drawing attention in general to to the lack of edequate national measures to implement Community legislation and "a range of deficieneies in enforcement performance."

Some member states may therefore show some reticence at tomorrow's meeting but the UK, which is due to take over the EEC Presidency at the beginning of next month, can be relied on to give strong support to the Commission line.

Under the CFP the Community fixes total allowable catches (TACs) for eech species threatened by overfishing, including herring, mackerel, cod, plaice and whiting, which are then divided into catch quotas for each interested member state. On top of this limits are imposed on fishing in certain zones, minimum mesh sizes for nets and in some cases minimum sizes of fish landed.

The application of these measures is primarily the responsibility of member states but the Commission report reveals that:

● France does not take sufficient action to stop its fishermen exceeding their quota limits, does not comply with the main technical measures along a large part of its coastline, and has nothing in the way of results to show from a campaign apparently conducted in the spring of last year to tighten up enforcement of these requirements. Checks at sea "are relatively infrequent and ineffective" and Commission inspectors are "impeded."

● The record of The Netherlands in failing to prevent overfishing is "the poorest of all member states." The country's catch registration system has proved inadequate with fish sold through the "grey" and "black" markets, fish from a stock under pressure attributed to another stock, and certain species (notably mackerel) falsely declared.

● In Ireland the recording system is based on information provided by the buyers with almost no physical control of quantities by control personnel, fishery officers do not have the right to inspect he books of buyers and instead rely on summary information provided to them on an informal basis, and adequate national provisions for enforcing the technical measures of the conservation policy do not exist.

Surprisingly, in view of these individual abuses, the Commission maintains that overfishing of Community waters is generally not excessive, amounting perhaps to 1-2 per cent of the TAC. But assuming they get the go ahead from Ministers (and a final decision may not be taken tomorrow) officials in Brussels will be drawing up new proposals based on the conclusions of their report.

These are likely to include much greater recourse to the European Court (so far this bas been limited only to the most flagrant cases of violation), forcing member sates to carry out more of their own inquiries into abuses, and increasing tha power of its own inspectorate. The Commission, for example, wants its inspectors to have the power to choose for themselves which port, region, or institution is investigated through a spot check, rather than (as a the moment) having to defer to the wishes of a national inspector.

Citrus canker feared in Florida grove

By Mary Frings

FLORIDA'S $4bn citrus industry, which is struggling to overcome the effects of four disastrous freezes in the past five years, faces a new threat with the suspected discovery of canker in a commercial grove near Palmetto, at the southern end of Tampa Bay.

Canker was declared eradicated in Florida in 1933 but reappeared two years ago in nurseries using Swingla Citrumelo rootstock. This is the first time that signs of the highly contagious disease hava been detected in a commercial grove, following a ban on the movement of stock from infected nurseries and the destruction of nearly 20m young trees.

Ms Vicky Boyd of the Florida Department of Agriculture's canker project said in Winterhaven yesterday that laboratory tests on samples from the 20-acre Palmetto Grove, where the canker appears to be widespread, would be completed later this week. She said that "a highly suspicious leaf spot disease" had also been found at 143 residential properties on Anna Maria Island, 10 miles to the west of the grove, but none of the suspected cases involves Swingle Citrumelo rootstock.

If canker is confirmed, the project's action plan calls for the burning of infected trees in situ and defoliation within a 50 foot radius of each one. The disease, distinguished by a brown lesion with a yellow halo around it, can lie dormant for three years. It attacks leaves, twigs and fruit, weakens the trees and causes premature fruit drop.

Broken Hill miners stand firm

BY PATRICIA NEWBY IN MELBOURNE

A MASS meeting of striking miners at the Broken Hill zinc, lead and silver mines voted overwhelmingly yesterday to continue their opposition to new work practices which mine owners claim would save the mines from closure.

For good measure, the meeting also voted to serve management with a list of claims for improved pay and conditions. Details have yet to be formulated.

The miners have refused to work under an interim award brought down last month by the New South Wales Industrial Commission, allowing the mines to operate night and weekend shifts.

The mines, which produce around 6 per cent of the Western world's lead and 4 per cent of its zinc, have been closed since May 26.

The decision to serve management with a log of claims at a time when the very survival of the mine is in donbt is either a huge bluff or a serious miscalculation by the unions of management intentions.

The Broken Hill miners have been clearly buoyed by the success of their coal mining comrades who last week were granted significantly improved pay and conditions by the Coal Industry Tribunal.

The owners of Broken Hill's three major mines, CRA, the Rio Tinto Zinc associate and North Broken Hill Holdings, have given little if any ground in private talks with the unions. They say significant improvement in productivity must be achieved either through changed work practices or massive retrenchment, or the mines will close.

Two sets of talks between the parties over the past week at the direction of the New South Wales Industrial Commission have achieved little.

The failure of the talks means that the unions' appeal against the interim award which allows for 21 shifts per week will continue before the Full Bench of the Commission tomorrow.

Nickel stocks on the London Metal Exchange fell sharply last week to their lowest level since last November.

The arrival of 900 tonnes of nickel cathodes, almost certainly from the Soviet Union, in the exchange's Rotterdam warehouse was far outweighed by the withdrawal of 4,224 tonnes from the same warehouse. Overall, stocks fell by 3,324 tonnes to 4,776 tonnes.

Some traders said the stock movement was the result of deliberate attempts by a few merchants, with nickel contracts falling dne for completion, to push up the LME cash settlement price. Others said that nickel producers were buying metal.

Traders also said that part of the explanation lay in the timing of Soviet sales to the West, which are expected to increase strongly this year over 1985's estimated 25,000 tonnes because of a decline in energy exports after the Chernobyl disaster and because of lower energy prices.

Soviet nickel was being sold through the LME, arriving in tha warehouse one week and leaving later when merchants took delivery, they said. Thus both the incoming and outgoing metal could be accounted for by these transactions.

Ugandan coffee stocks retained

UGANDAN coffee farmers and processors are retaining stocks hoping that the new government will increase producer prices in its budget this week, the coffee trade in Kampala, reports Reuter.

Farmers are demanding 900 to 1,000 shillings per kilo of unprocessed coffee from unofficial buyers, compared with the 850 shillings offered by the state-controlled Coffee Marketing Board.

A government economic package in May raised the producer price from 470s but farmers complain the new rate is still only 20 per cent of the world price.

The Ugandan National Coffee Association said coffee smuggling to countries where prices are higher would continue unless the government approved a further increase.

The recent fall in world prices from peaks earlier this year reduced the prospects of the budget including a large rise for farmers, the government said.

Uganda exports about 150,000 tonnes of coffee a year and relies on the commodity for more than 95 per cent of its foreign exchange earnings.

UK demand for motor fuel rises by 5.8%

By Max Wilkinson

DEMAND FOR motor fuel in the UK rose by 5.8 per cent in the first quarter of the year compared with a year earlier, according to figures released yesterday by the Institute of Petroleum.

The figures might suggest that motorists were more responsive than expected to the rapid fall in crude oil prices after the turn of the year.

However, UK petrol prices were slow to reflect this fall. In February, the average price of four-star petrol was almost 190p a gallon, little changed from its level in the autumn, before crude prices collapsed.

It was not until April and May that petrol prices fell sharply to as little as 150p or less in some parts of the country, though they have since recovered somewhat.

However, petrol prices were significantly lower in the first quarter of this year than their levels in the same period a year earlier when they reached 200p per gallon.

The Institute's figures show a 5.5 per cent increase in demand for aviation spirit in the first quarter compared with a year earlier, but a 4.4 per cent fall in demand for lubricating oils and greases.

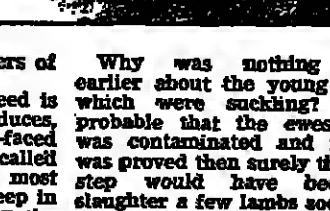
Overall demand for petroleum products was 23.8 per cent lower than a year earlier. This mainly reflects the impact of last year's miners' strike, when demand for fuel oil was much higher than usual.

LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

(tonnes)	
Aluminium	+950 to 133,950
Copper	+1,050 to 141,150
Lead	−3,575 to 43,200
Nickel	−3,324 to 4,776
Tin	−690 to 52,360
Zinc	−1,750 to 42,775
(ounces)	
Silver	−1,688,000 to 35,804,000

Sheep farmers under the shadow of Chernobyl



FARMER'S VIEWPOINT

By John Cherrington

FOR THE sheep farmers of Cumbria, North Wales, and the Isle of Man, the announcement of a three-week ban on the movement, sale and slaughter of sheep as a result of the Chernobyl disaster could not have come at a worse time.

The lamb season is getting into full swing and farmers have been preparing tens of thousands of animals for market. Most farmers sell their lambs as soon as they reach optimum weight and condition—and even a 21-day delay can cause serious losses.

This is partly because prices are highest earliest in the season and tend to fall to their lowest in July. Under the EEC's Common Agricultural Policy British farmers are guaranteed a minimum return (made up of the market price plus a variable premium, or deficiency payment) which this week is 26.7p a kilo and falls steadily to 206p a kilo by August 4, where it remains until November.

A three week delay in going to market could cost farmers about £4 for an average lamb.

Equally seriously, farmers could suffer through their lamba being graded over-fat under EEC quality standards which would mean the loss of the whole of the premium over the market price. There is no practical way of thinning down lambs at short notice. The premium for the week beginning June 6 was 42.6p a kilo or £7.24 for an average 17 kg lamb and it could be a great deal higher at the end of the ban period as the number of animals offered for sale across the UK surges and market prices are driven lower.

Taking into account the extra costs of keeping and feeding the lambs, I believe it would cost an additional £1 a head for every extra week lambs are kept on the farm. The total number of sheep and lambs hit by the restrictions is 2.45m.

The Ministry of Agriculture has said that compensation is being considered. But those farmers affected will be wondering about how much, if anything, they might get. They will also be uncertain about how shoppers will react to lamb from their areas. And they will be concerned about the sales they make to lowland farmers, who buy upland lambs to replenish their flocks.

Cumbria and North Wales are the source of large numbers of ewe lambs.

The main Cumbrian breed is the Swaledale which produces, when crossed with a blue-faced Leicester, a hybrid sheep called the Mule, probably the most popular and expensive sheep in Britain. In the same way tha hardy Welsh mountain sheep, when crossed with a similar ram, produces a Welsh half-bred or Walsh Mule.

The only positive word in all this is the assurance from Mr Michael Jopling, the Agriculture Minister, that no-one would be at risk from eating radiated lamb. But his statement raises as many questions as it answers.

For instance, why did it take a few weeks for the ministry to reveal the extent of the effects of the fall-out in North Wales and North-West England? At the time the nuclear cloud was over the area in the early days of May, the public was warned not to drink rainwater, but no specific reason for the ban was ever given.

Most British sheep are kept out of doors the year round. On the Continent it is traditional to bring them under cover in the winter. Few farms in Britain have the housing to put the sheep inside nor the feed to take the place of the grass which might have been made radioactive.

In the affected area the sheep are on grassland farms and get much of their moisture by eating wet grass. Sheep seldom go to drink whilst it is raining as it has done for most of this spring. At the time of the fall-out young lambs would be drinking their mothers' milk and would probably only be nibbling grass to balance their diets. Grass in any case was short because of the cold late spring.

In these conditions the ewes would have eaten most of the available grass and if the lambs were affected it would almost certainly be through the milk they were suckling.

Why was nothing done earlier about the young lambs which were suckling? It is probable that the ewes' milk was contaminated and if this was proved then surely the next step would have been to slaughter a few lambs sooner to see the extent to which they were affected. It seems obvious to me that the radiation was transferred from the grass through the ewes lactatory system to the lambs' flesh.

Then the question arises as to how long a ewe wil go on giving contaminated milk. Will she stop if she is moved to clean pasture? Or will the effects continue over months or years? The fall-out is likely to affect the incidence of human cancer according to some scientific authorities. What then will it do to sheep? There are questions about the genetic mutations which could well alter the characteristics of the victims and their descendants. The Ministry has said that this is unlikely—but can farmers be certain?

I must declare an interest at this point. Every year, in common with many other lowland farmers, I buy young breeding sheep from the very markets which are now closed. How safe are they going to be for me to buy? They come onto my farm at about six months old and should live between seven and nine years? Will this catastrophe affect their future development or will their lives be shortened and their reproductive process impaired?

The present problems result not from an act of war but from an ordinary industrial accident. And there can be no guarantee that it will not be repeated somewhere, sometime.

If and when that happens I hope we can rely on the authorities to give out detailed information sooner than they did this time, and to give us more advice on how to cope with the after effects.

LONDON MARKETS

COFFEE PRICES fell back on the London futures market yesterday as speculators who have been hoping for a frost in the Brazilian growing belt withdrew from the market once again. With the weather continuing mild and forecasters predicting no change in the immediate future pre-weekend covering purchases were sold off and the September position finished the day £53 down at £1,821 a tonne. Dealers said the bearish tone was also influenced by suggestions that Brazil and Colombia were planning export price reductions. Meanwhile the cocoa futures market resumed the slow price drift which was interrupted towards the end of last week. Following Friday's extremely modest gains the early trend yesterday was firmer, but this was reversed under the influence of reported Ivory Coast new crop sales and the September quotation ended the day £8 lower at £1,279.50 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	766-7	—3.5	—
3 months	770.5-1	—1	777.5/770

Official closing (am): Cash 773.5-4 (767.5-8.5), three months 777-7.5 (768-9), settlement 774 (768.5). Final Kerb close: 769-760.

Turnover: 21,975 tonnes.

COPPER

	Unoffic'l close	+ or —	High/low
Cash higher grade	936.5-7.5	+0.5	934/938
3 months grade A	955.5-4	+7	037/950

Official closing (am): Cash 933-3.5 (929-30), three months 952-2.5 (948-8.5), settlement 933.5 (930). Final Kerb close: 951.5-52.

Cash Cathodes	918-21	+4.5	—
3 months standard	927-9	+0.5	—

Official closing (am): Cash 917-20 (910-20), three months 922-8 (927-32), settlement 920 (920).

US Producer prices 66.5-72 cents per pound.

Total turnover; 31,775 tonnes.

LEAD

Cash	Unofficial close (p.m.) £ per tonne	+ or —	High/low
	281-2	—0.5	284-284
3 months	281-2	—0.5	284-279

Official closing (am): Cash 284-4.5 (284-5), three months 283-4 (282-3), settlement 284.5 (285). Final Kerb close: 280-21.

Turnover: 6,750 tonnes. US Spot: 22.75-24 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2750-5	+7.5	2760/2760
3 months	2740-50	+7.5	2785/2720

Official closing (am): Cash 2760-5 (2720-5), three months 2760-5 (2725-30), settlement 2765 (2725). Final Kerb close: 2720-30.

Turnover: 1,398 tonnes.

GOLD

Gold fell $¾ to $340½-341 on the London bullion market yesterday. It opened at $340-340½ and was fixed at $340-50 in the morning and $341.05 in the afternoon. The metal touched a peak of $341½-342 and a low at the opening.

GOLD BULLION (fine ounce) June 23

Close	$340½-341	(£228-228½)
Opening	$340-340½	(£228½-229)
M'n'g fix	$340.50	(£228.754)
Aft'n'n fix	$341.05	(£229.046)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$338¼-343¼	(£225¼-228¾)
½ Krug.	$179¼-180½	(£119¼-120¼)
¼ Krug.	$91-92	(£60½-61¼)
1/10 Krug.	$37-37½	(£24½-25)
Mapleleaf	$350¼-355¼	(£235½-236½)
Angel	$350-358	(£230¼-234½)
1/10 Angel	$34¼-30¼	(£22¾-26)
New Sov.	$80¼-83¼	(£53½-55½)
Old Sov.	$86-87	(£57¼-58)
$20 Eagle	$425-475	(£283¼-316½)
NoblePlat	$446-451	(£297¼-300½)

TIN

KUALA LUMPUR TIN MARKET: Close 14.07 (14.10) ringgit per kg. Down 0.3 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	535-6	—1	537/535
3 months	538.5	—1.5	544/534

Official closing (am): Cash 536.5-7 (535-6), three months 541-1.5 (538.5-9), settlement 537 (536). Final Kerb close: 538-39.

Turnover: 5,575 tonnes. US Prime Western: 38.5-41.75 cents per pound.

SILVER

Silver was fixed 6.6p an ounce higher for spot delivery in the London bullion market yesterday at 342.95p. US cent equivalents of the fixing levels were: spot 510.6c, up 0.65c; three-month 518.9c, up 0.85c; six-month 527.85c, up 0.7c; and 12-month 544.8c, up 0.85c. The metal opened at 342½-344p (510-512c) and closed at 337½-339p (504-506c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	342.95p	+3.85	338p	—1
3 months	351.05p	+4.00	346p	—1
6 months	359.15p	+4.00	—	—
12 months	374.55p	+4.35	—	—

LME—Turnover: 2 (1) lots of 10,000 oz.

Cash high/low 340.5p; three months final kerb 345-7p.

MEAT

Pigmeat prices strengthened slightly due to light short-covering in thin volume, reports Eastern Capital CCST.

PIGMEAT Month	Y'day's close	+ or —	BEEF Y'day's close	+ or —
July	102.80	—0.20	195.00	—2.00
Aug	100.80	+0.80	184.50	—0.50
Sept	105.70	+5.20	186.50	+0.50

Pigmeat sales: 30 (23) lots of 50 carcases, 8,250 kg.

Beef sales: 0 (0) lots of 20 sides.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 101.7p per kg lw (−1.55). GB—Sheep 154.36p per kg est dcw (−51.96). GB—Pigs 75.37p per kg lw (−3.39).

INDICES

REUTERS

June 20	June 19	M'th ago	Year ago
1528.2	1533.7	1758.0	1789.0

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	June 20	June 10	Month ago	Year ago
Spot	125.07	125.30	—	118.89
Fut.	115.10	115.28	—	118.10

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	June 23 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1240/260	+10	$1265/295
Copper			
Cash h Grade	£937	+9.5	£987.5
3 mths	£953.75	+7	£940.5
Gold Troy oz	$340.75	—0.25	$342.25
Lead Cash	£281.5	—0.5	£254.75
3 mths	£281.5	—0.5	£258.25
Nickel			
Free Mkt	186/206c		192/202c
Palladium oz	$110.95		$109.80
Platinum oz	$433.65	+3.05	$413.40
Quicksilver†	$210/220		$205/215
Silver troy oz	342.95p	+3.85	341.15p
3 months	351.05p	+4	349.35p
Tin			
Free mkt.	£3530/850	+50	£3880/75
Tungsten	$58.75		$59-13
Wolfram 22.0lb.	$42/50		$48.55
Zinc	£535.5	—1	£494.e
3 months	£539	—1.5	£495.5
producers	$840		$780/730
OILS			
Coconut (Phil)	$260y		$340
Palm Malayan	$245z		$242.e
Copra Phil	$160u		$145
Soyabean (U.S.)	$156u		$154
GRAINS			
Barley Fut.Sept	£96.45	+0.10	£97.00
Maize	£134.30		£139.00
Wheat Fut Sept.	£99.05	—0.10	£99.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1279.5	—8	£151e
Coffee Ft. Sept	£1821	—53	£1952.5
Cotton A Ind.*	40.30c	—0.3	44.50c
Gas Oil Aug.	$114	—0.75	$131.5
Rubber(kilo)	57.5p		58.25p
Sugar (raw)	$144.5y	—5	$177
Wooltops 64s	415p kilo		425p kilo

‡ Unquoted. † Per 76-lb flask. c Cents per pound. x July. u June-July. y July-August. z Aug. * Cotton Outlook.

COCOA

Futures traded busily and recorded life-of-contract lows before closing £5 off on the day. At the highs some limited producer interest was noted but consumers were generally content to await lower levels, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1250-1256	—4.5	1262-1241
Sept.	1279-1280	—8.0	1291-1277
Dec.	1318-1320	—6.5	1326-1306
March	1352-1353	—3.5	1358-1340
May	1375-1377	+3.0	1376-1365
July	1392-1395	+1.5	1395-1378
Sept	1408-1410	+2.5	1408-1396

Sales: 4,388 (2,121) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for June 23: 84.75 (85.23); five-day average for June 24: 85.32 (86.07).

COFFEE

In a narrow range prices drifted lower with the market lacking any fresh fundamental or technical news. Trade buying in mid-afternoon helped rally prices slightly but renewed commission house selling on the close left prices on the lows, reports Drexel Burnham Lambert.

COFFEE	Yesterday Close	+ or —	Business Done
July	1780-1785	—54.0	1812-1780
Sept.	1820-1822	—53.0	1858-1820
Nov.	1862-1864	—54.5	1888-1856
Jan	1901-1905	—54.0	1925-1900
Mar.	1010-1975	—57.0	1945-1975
May	1920-1935	—58.5	—
July	1930-1968	—58.0	—

Sales: 2,886 (4,433) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for June 20: Comp. daily 1979 153.84 (155.61); 15-day average 154.69 (154.63).

SOYABEAN MEAL

In a very quiet session nearby prices improved on the forwards because of beneficial rains in the US growing areas, reports Muirpace.

	Y'ster d'ys close £ per tonne	+ or —	Business Done
August	124.0-124.5	—0.15	—
October	124.5-124.8	—	—
Dec.	125.5-125.7	—0.25	—
Feb.	127.0-128.5	—1.00	—
Apr.	128.0-128.5	—0.25	—
June	127.2-128.0	—0.15	128.0
August	127.5-128.5	—	—

Sales: 25 (21) lots of 20 tonnes.

GRAINS

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent July/Aug 98.50, Sept 98.50 transhipment east coast. US no 2 soft red winter July/Aug 90.25, Sept 91.75 sellers. EEC June 125.00. English feed fob Sept 111.00/111.50, Oct/Dec 105.75/106.25, Jan/Mar 110.75/111.25 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast Jun 134.50. Barley: English feed fob Aug 99.00/100.00, Sept 101.00, Oct/Dec 106.00 buyers, Jan/Mar 111.00/111.50 buyers/seller.

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	110.80	—0.25	—	—
Sept.	99.05	—0.10	98.45	+0.10
Nov.	102.20	—	101.85	+0.40
Jan.	105.10	—0.15	105.00	+0.35
Mar.	107.60	—	107.45	+0.05
May	109.55	—	109.55	—0.05

Business done—Wheat: July 111.40-10.80, Sept 99.35-9.05, Nov 102.25-2.10, Jan 105.25, March and May untraded. Sales: 126 lots of 100 tonnes. Barley: Sept 98.50-8.45, Nov 102.00-1.80, Jan 105.10-5.00, March 107.50, May untraded. Sales: 82 lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened quiet and closed on a slightly steadier note, reports Lewis and Peat. Closing prices (buyers): Spot 57.50p (same), July 57.00p (56.50p), August 57.00 (56.50p). The Kuala Lumpur fob price (Malaysian cents per kg): RSS No 1 was 206.0 (same) and SMR 20 185.5 (same).

FUTURES—Index 568, July 568-572, July-Sept 567-572, Oct-Dec 564-569, Jan-March 574-579, April-June 587-595, July-Sept 589-597. Sales: 0.

TEA

30,638 packages were on offer at the London Tea Auction, including 5,600 packages in the offshore section, reports the Tea Brokers' Association. Demand again improved. Best and medium East Africas CTC's met strong competition throughout and often gained 5-10p. Clean, coloury Central Africans sold readily at firm to dearer rates but dusts and plainer sorts tended easier. Ceylons came to a very selective market at generally lower rates. Offshore teas met better demand and prices were firm. Quotations: Quality 190p a kg, nominal (190p nominal); Medium 150p a kg (145p); Low Medium 92p a kg (90p).

US MARKETS

COMEX GOLD futures dipped slightly from the highs following the comment of Mr Paul Volcker, the Federal Reserve Board chairman, that he was hopeful for progress on Mexico's debt negotiations, reports Heinold Commodities. In slower business gold for August delivery closed at $343.40 per ounce after making a high of $344.00 on buying fanned by worries that the resignation of Mexican finance minister Silva Herzog could complicate Mexico's effort to negotiate a rescue package. Coffee futures were lower in all months, with scale-down trade buying lending light support to the market. Commission house selling continued throughout the day pressuring prices. Moving ICO averages continue to look bearish despite last week's slight rise.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
June	52.75	—	—	53.25
July	52.80	53.10	52.90	53.25
Aug	52.90	—	—	53.30
Sept	53.00	53.15	52.95	53.35
Dec	53.40	53.60	53.45	53.70
Jan	53.60	—	—	53.90
March	53.75	—	—	54.05
May	53.90	—	—	54.20
July	54.05	—	—	54.35
Sept	54.15	—	—	54.45

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
July	1679	1680	1648	1673
Sept	1747	1750	1712	1736
Dec	1809	1809	1778	1796
March	1855	1855	1825	1843
May	1885	1885	1863	1880
July	1925	1906	1875	1903
Sept	1950	1930	1904	1927

COFFEE "C" 37,500 lbs, cents/lb

	Close	High	Low	Prev
July	175.78	182.50	175.20	183.69
Sept	179.06	192.70	179.00	187.42
Dec	186.38	187.50	186.38	190.38
March	187.00	189.75	187.00	191.00
May	188.38	191.00	188.38	192.38
July	194.00	194.00	194.00	198.00
Sept	195.00	—	—	199.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
June	62.70	—	—	62.90
July	62.80	62.90	62.50	63.60
Aug	62.95	—	—	63.00
Sept	63.10	63.25	62.80	63.30
Dec	63.50	63.60	63.25	62.65
Jan	63.60	—	—	63.75
March	63.80	64.00	63.70	63.95
May	64.00	64.05	64.06	64.15
July	64.20	64.25	64.70	64.35
Sept	64.45	—	—	64.55

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
July	68.50	68.60	67.90	68.30
Oct	33.80	33.92	23.70	33.70
Dec	34.25	34.32	33.81	34.25
March	34.75	34.75	34.31	34.60
May	35.26	35.10	35.10	36.10
July	35.53	35.50	35.35	35.50
Oct	36.36	36.45	36.40	36.40

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Aug	13.00	13.20	12.85	12.94
Sept	12.80	12.90	12.68	12.75
Oct	12.76	12.87	12.66	12.77
Nov	12.78	13.00	12.72	12.83
Dec	12.86	13.10	12.70	12.90
Jan	12.85	12.85	12.80	12.93
Feb	12.85	13.15	12.85	12.96
March	12.90	12.95	12.95	12.96
April	12.90	13.00	13.00	12.94

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
June	341.0	341.3	340.2	340.4
Aug	343.3	344.0	342.5	342.7
Oct	346.3	346.8	345.7	345.7
Dec	349.6	350.5	348.8	349.0
Feb	353.2	353.0	353.0	352.6
April	356.6	356.8	356.8	356.0
June	360.1	—	—	359.5
Aug	363.9	363.7	363.7	363.3
Oct	367.7	368.4	368.4	367.1
Dec	371.8	—	—	371.2
Feb	376.1	—	—	375.5
April	380.5	—	—	379.9

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
July	36.65	37.46	36.40	36.63
Aug	37.45	38.30	37.35	37.68
Sept	38.65	39.30	38.45	38.68
Oct	39.56	40.30	39.40	39.74
Nov	40.50	40.96	40.40	40.65
Dec	41.30	42.15	41.20	41.91
Jan	41.85	42.35	41.86	42.01
Feb	42.00	42.05	42.00	42.01
March	39.60	36.90	39.00	39.86
April	37.80	37.80	37.80	37.70

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	104.50	105.00	103.70	103.65
Sept	105.05	105.30	104.50	103.75
Nov	106.50	106.40	105.90	104.40
Jan	108.25	108.35	106.80	106.80
March	109.25	100.40	107.80	108.80
July	111.05	109.60	109.60	108.15
Sept	111.75	110.10	110.10	109.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
June	434.1	—	—	429.7
July	435.1	436.0	431.5	431.2
Oct	440.1	441.5	434.0	436.2
Jan	443.1	443.5	440.5	438.2
April	446.3	448.5	445.5	442.4
July	449.8	449.0	449.0	445.9

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
June	506.3	—	—	510.2
July	507.2	513.5	504.0	511.0
August	510.1	—	—	514.1
Sept	513.3	520.0	411.0	517.3
Dec	522.5	528.5	520.2	526.5
Jan	525.5	—	—	529.5
March	531.4	538.5	528.5	535.5
May	537.5	—	—	541.8
July	543.7	549.7	545.0	548.1
Sept	550.5	552.0	552.5	555.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
July	6.06	6.15	6.86	5.97
Sept	6.27	6.30	6.07	6.17
Oct	6.47	6.55	6.32	6.44
Jan	6.66	5.46	6.46	5.63
March	7.00	7.14	6.86	7.05
May	7.18	7.28	7.15	7.31
July	7.34	7.44	7.31	7.40
Sept	7.43	—	—	7.62
Oct	7.57	7.60	7.51	7.85

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	54.92	55.17	54.57	54.92
Oct	53.65	53.90	53.25	53.67
Dec	54.87	55.10	54.65	54.90
Feb	53.67	53.80	53.45	53.65
April	54.95	55.17	54.70	54.95
June	55.70	55.77	55.50	55.70

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	54.60	54.92	54.05	54.27
August	51.05	51.40	50.60	51.10
Oct	44.95	45.22	44.80	45.22
Dec	45.67	45.87	45.50	45.72
Feb	44.30	44.90	44.20	44.32
April	40.22	40.60	39.95	40.42
June	42.17	42.45	41.95	42.32
July	41.15	42.00	41.00	41.90

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
July	234.8	234.6	233.4	234.6
Sept	195.4	198.4	195.4	197.2
Dec	188.2	189.4	188.0	189.5
March	197.4	198.2	157.2	198.4
May	201.8	203.2	201.4	203.4
July	202.0	204.0	202.0	203.4
Sept	194.8	195.2	194.6	194.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	78.12	74.40	72.35	73.37
August	70.45	70.75	69.15	70.00
Feb	63.55	65.20	63.15	64.62
March	62.45	53.30	62.20	63.40
May	64.80	64.80	54.10	65.22
July	64.80	65.65	64.80	66.80

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	532.6	533.4	531.4	534.2
August	521.0	522.0	520.2	522.6
Sept	507.2	508.2	506.2	510.4
Nov	503.8	504.6	502.0	507.2
Jan	512.0	513.0	511.0	518.0
March	520.4	521.4	520.0	525.0
May	526.4	527.8	526.4	531.0
July	529.2	531.0	529.0	533.0
August	528.0	—	—	532.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	149.6	150.0	149.3	150.1
August	147.1	147.6	146.9	147.5
Sept	145.1	145.5	144.5	145.8
Oct	143.6	144.0	143.0	144.8
Dec	145.9	146.3	145.5	147.0
Jan	147.0	147.5	147.0	148.2
March	149.7	—	—	150.6
May	152.7	—	—	153.2
July	155.5	—	—	156.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	16.77	16.83	16.70	16.89
August	16.93	17.00	16.88	17.07
Sept	17.04	17.10	16.98	17.20
Oct	17.10	17.10	16.98	17.25
Dec	17.42	17.50	17.33	17.58
Jan	17.56	17.60	17.56	17.65
March	17.85	17.80	17.80	17.97
May	18.15	18.20	18.15	18.30
July	18.44	18.64	18.44	18.60

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
July	249.4	251.0	244.4	245.8
Sept	249.6	251.0	245.4	246.4
Dec	256.6	257.6	253.0	253.6
March	255.4	256.4	252.2	252.4
May	244.0	246.6	242.6	242.4
July	231.4	232.6	229.0	229.4

SPOT PRICES—Chicago loose lard 11.00 (same) cents per pound. Handy and Harman silver bullion 506.0 (511.0) cents per troy ounce.

SUGAR

LONDON DAILY PRICE—Raw sugar $144.50 (£97.00), down $5.00 (down £2.60) a tonne for July-August delivery. White sugar $177.00, down $2.50.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	157.4-157.8	158.0-157.8	158.0-155.8
Oct	145.8-145.8	144.8-144.8	147.6-143.8
Dec	149.0-152.8	148.8-150.8	—
Mar	158.2-158.4	158.0-158.2	158.2-156.8
May	162.8-165.2	164.0-164.4	165.0-162.0
Aug	167.0-168.4	167.0-168.8	169.4-167.8
Oct	175.8-175.8	171.8-171.8	175.8

Sales: 3,371 (3,869) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £198.50 (£202.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for June 20: Daily price 5.94 (6.2); 15-day average 5.56 (6.62).

PARIS—(FFr per tonne): Aug 1260/1285, Oct 1300/1302, Dec 1322/1330, Mar 1380/1385, May 1425/1430, Aug 1450/1457.

POTATOES

A wet weekend and rain forecast for the first half of the week moved all positions lower. Support appeared at £123, basis April, and for much of the day trading was in the £124.00-£125.50 range. The closing tone was steady. Earlies followed the physical market to trade slightly higher, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	91.80	94.70	92.80-90.00
Feb	100.00	105.50	—
Apr	124.80	131.90	127.00-125.00
May	134.50	142.00	—
Nov	86.50	87.50	—

Sales: 904 (802) lots of 40 tonnes.

Sales: 858 (904) lots of 40 tonnes.

Earlies—July 90.00, +2.50, 90.00; Aug 70.00, unchanged; Sept 72.50, +10.00. Sales: 30 lots of 10 tonnes.

FREIGHT FUTURES

	Close	High/Low	Prev.
	Dry Cargo		
July	606/608	609/604	611/615
Oct.	667.5/668	671/668	674/675
Jan.	690/692	692/690	696/697
April	750/755	—	760/760
July	685/690	690	690/695
Oct.	750/760	—	755/765
Jan.	800/850	—	815/835
Apr.	850/900	—	872/894
BFI.	637.0	—	639.0

Turnover: 134 (82).

	Close	High/Low	Prev.
	Tankers		
June	1175/1200	1180	1150/1190
July	1080/1100	1095/1092	1075/1100
Aug	990/1020	990	980/1000
Sep	1100/1170	1125	1050/1200
Dec	1260	1300	1205/1255
Mar	1250	1250	1300
BTI	1226.5	—	1216.5

Turnover: 32 (27).

OIL

In the 15-day market July Brent traded thinly in a weak market. Reports of very good early July North Sea wet barrels helped to put pressure on prices with forward months at a premium. Nymex WTI opened 5c down but recovered in late morning to finish 16c up by 1 pm EDT. In the petroleum products market gas/oil fell in cautious trading. Other products were very quiet.

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—July		
Arab Light	—	—
Arab Heavy	—	—
Dubai	0.95-10.05	—
Brent Blend	11.35-11.50	—
W.T.I. (1pm est)	14.05-14.15	+0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	166-168	—
Gas Oil	107.5-109	—1.25
Heavy fuel oil	56-58	—0.6
Naphtha	112-113	+.5

—Petroleum Argus, London.

GAS OIL FUTURES

Month	Yst'rday's Close $ US per tonne	+ or —	Business Done
July	112.25	—0.75	115.00-11.50
Aug	114.00	—0.75	115.00-13.25
Sep	116.75	—0.50	117.50-16.00
Oct	119.75	—0.50	120.00-19.00
Nov	122.00	—0.25	122.00-22.00
Dec	124.50	—	124.50-24.50
Jan	126.50	—0.50	—

Turnover: 2,086 (2,333) lots of 100 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing June 16 amounted to 504 tonnes against 1,208 tonnes in the previous week. Fair trading was seen with interest shown in Chinese, Russian, West African and Israeli varieties.

Lead industry effort to protect swans

A SCHEME to protect swans by persuading anglers to dispose of their lead weights at collecting points is being launched by the lead industry to coincide with the coarse fishing season.

Every year hundreds of swans die or are injured after eating lead shot and fishing weights discarded by anglers. The Government has proposed laws to ban their import and sale from next January.

The Lead Development Association is providing collection centres where anthorised representatives of angling clubs can take shot and weights for disposal. The going rate for lead scrap will be paid.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls at DM 2.27

The dollar weakened in afternoon European trading, and finished only slightly higher on the day. The US currency had been very firm on Friday in New York, breaking through resistance at DM 2.25, but lost ground yesterday afternoon after failing to consolidate above DM 2.27. Trading was dominated by technical chart resistance points, in the absence of other factors. There was speculation the dollar might move higher in the short term, testing DM 2.30 and Y170, but economic fundamentals were expected to pull the US currency back by the end of the week. Today's first quarter Japanese Gross National Product figures are expected to be disappointing, lending support to the dollar, but dealers will also be watching for May US durable goods orders.

Demand for the dollar may be increased by this week's programme of US Treasury note auctions, but trading is likely to be nervous ahead of Friday's US trade figures for May, which are not expected to be significantly better than the April deficit of $12.07bn.

The dollar rose to DM 2.2485 from DM 2.2445; FFr 7.1675 from FFr 7.1625; SFr 1.8475 from SFr 1.8460; and Y167.90 from Y167.70.

On Bank of England figures the dollar's index rose to 116.9 from 116.1.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. May average 1.5202. Exchange rate index closed unchanged at 75.7. It opened at the same level, and touched a low of 75.5 at 3 pm. Six months ago the index was 78.2.

Sterling attracted little attention, ahead of tomorrow's meeting of ministers from the Organisation of Petroleum Exporting Countries. The pound was weak against the dollar for most of the day and firm against Continentals, but closed little changed overall, as the dollar retreated in late trade. Sterling was unchanged at $1.4995-1.5005, and rose to DM 3.3725 from DM 3.3675; FFr 10.75 from FFr 10.7450; SFr 2.7725 from SFr 2.7690; and Y251.75 from Y251.50.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. May average 2.2295. Exchange rate index 134.4 against 130.5 six months ago.

The D-Mark declined against the dollar in moderate Frankfurt trading. Technical considerations, as dealers reacted to chart movements, in the absence of other factors, increased demand for the dollar. There also appeared to be little chance of an early cut in the US discount rate, while Japan and West Germany are equally reluctant to lead another round of world interest rate cuts. The Bundesbank is reported to be too concerned about excessive money supply growth to consider a discount rate reduction at present. At the Frankfurt fixing the Bundesbank did not intervene when the dollar rose to DM 2.2689 from DM 2.2425. The dollar finished at DM 2.2670 in Frankfurt, compared with DM 2.24225 on Friday.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 161.05. May average 167.01. Exchange rate index 205.3 against 177.4 six months ago.

The yen weakened against the dollar in Tokyo, on technical demand for US currency, after it broke through resistance against the D-Mark at DM 2.25 in New York on Friday. This led to speculative demand for the dollar in the Far East, while the purchase of foreign bonds for new bond mutual funds also supported the US currency in Tokyo. The new funds are expected to buy about $1bn of both US and other foreign bonds, and must first convert yen into dollars, before buying other foreign currency. Expectations that figures on first-quarter Japanese Gross National Product, to be released today, will be flat or show a decline in growth, also helped the dollar, which rose to Y169.20 from Y167.40.

£ IN NEW YORK

June 23	Close	Prev. close
£ Spot	$1.4932-1.4942	$1.4935-1.4945
1 month	0.37-0.36pm	0.37-0.36pm
3 months	1.05-1.00pm	1.04-1.02pm
12 months	5.40-5.35pm	3.40-3.30pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

June 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4856-1.5035	1.4995-1.5005	0.38-0.35c pm	2.92	1.07-1.02pm	2.79
Canada	2.0624-2.0870	2.0825-2.0870	0.29-0.20c pm	1.41	0.60-0.46pm	1.01
Nethlnd.	3.79¾-3.81¼	3.79¾-3.80¾	1¼-1c pm	3.56	3¾-3½pm	3.75
Belgium	68.70-69.55	68.70-68.80	16-13c pm	2.71	50-41pm	0.65
Denmark	12.49¾-12.65	12.49¾-12.50¾	2¼-1½ore pm	1.98	5¼-4¼pm	1.64
Ireland	1.1165-1.1195	1.1175-1.1185	0.10-0.02p pm	0.54	0.20-0.05pm	0.45
W. Ger.	3.36½-3.38½	3.36¾-3.37¾	1¾-1½pf pm	6.34	4½-4¼pm	5.19
Portugal	226.84-231.02	229-231	90-175c dis	−6.91	170-285dis	−0.78
Spain	215.69-216.72	215.75-216.34	90-245c dis	−9.30	245-740dis	−9.10
Italy	2,308½-2,323	2,311½-2,312½	2-6lire dis	−2.08	8-14dis	−1.90
Norway	11.43¾-11.56¾	11.47¾-11.48¾	3½-4½ore dis	−3.79	11¼-12¾dis	−4.07
France	10.73¼-10.79¾	10.74½-10.75½	2¾-2¼c pm	2.65	7-6¾pm	2.47
Sweden	10.82¾-10.93¾	10.84¾-10.85¾	¼-1¾ore dis	−0.79	¼-1¾dis	−0.46
Japan	250½-252½	251¼-252¼	1¼-1y pm	6.36	3½-3pm	6.06
Austria	23.69-23.98	23.93-23.98	10½-9½gro pm	4.92	29-25½pm	4.58
Switz.	2.76-2.78	2.76¾-2.77¾	1-¾c pm	3.79	3½-2¾pm	4.33

Belgian rate is for convertible francs. Financial franc 70.00-70.10. Six-month forward dollar 1.98-1.94c pm. 12-month 3.48-3.38c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4855-1.5035	1.4995-1.5005	0.38-0.35c pm	2.92	1.07-1.02pm	2.79
Ireland†	1.3330-1.3485	1.3465-1.3475	0.40-0.15c pm	2.47	0.95-0.60pm	2.32
Canada	1.3854-1.3882	1.3870-1.3880	0.16-0.19c dis	−1.51	0.60-0.65dis	−1.80
Nethlnd.	2.5245-2.5630	2.5310-2.5320	0.18-0.15c pm	0.77	0.62-0.57pm	0.93
Belgium	46.25-46.50	45.80-45.90	par-2c dis	−0.26	par-4dis	−0.17
Denmark	8.33-8.44½	8.33¼-8.33¾	0.45-0.95ore dis	−1.00	2.25-2.75dis	−1.10
W. Ger.	2.2420-2.2755	2.2480-2.2490	0.46-0.43pf pm	2.35	1.37-1.32pm	2.37
Portugal	152½-153¾	152½-152¾	100-200c dis	−11.83	275-600dis	−11.50
Spain	143.40-145.51	143.90-144.00	100-150c dis	−10.33	220-290dis	−7.05
Italy	1,537-1,561½	1,541¼-1,541¾	5½-7½lire dis	−5.01	17-20dis	−4.76
Norway	7.65¾-7.71	7.65¼-7.65¾	4.20-4.60ore dis	−6.86	1320-1260dis	−6.97
France	7.16-7.26¾	7.16½-7.17	0.10-0.20c dis	−0.25	0.55-0.75dis	−0.36
Sweden	7.23-7.29¾	7.23¾-7.23¾	2.10-2.30ore dis	−3.63	5.70-6.10dis	−3.24
Japan	167.75-169.30	167.85-167.95	0.35-0.30y pm	2.31	0.99-0.94pm	2.29
Austria	15.50½-15.99	15.90½-15.91	3-2gro pm	1.88	9-6pm	1.76
Switz.	1.8400-1.8685	1.8470-1.8480	0.19-0.13c pm	1.00	0.71-0.66pm	1.47

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 46.65-46.75.

EXCHANGE CROSS RATES

Jun. 23	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.500	3.373	251.8	10.75	2.773	3.798	2312.	2.080	68.75
$	0.667	1.	2.240	167.9	7.168	1.849	2.532	1542.	1.387	45.85
DM	0.297	0.446	1.	74.65	3.188	0.822	1.126	685.6	0.617	20.39
YEN	3.972	5.958	13.40	1000.	42.70	11.01	15.08	9186.	8.264	273.1
F Fr.	0.930	1.395	3.137	234.2	10.	2.579	3.533	2151.	1.936	63.95
S Fr.	0.361	0.541	1.216	90.80	3.877	1.	1.370	834.0	0.750	24.80
H Fl.	0.263	0.395	0.888	66.29	2.831	0.730	1.	608.8	0.548	18.10
Lira	0.432	0.649	1.459	108.0	4.649	1.199	1.640	1000.	0.900	29.73
C $	0.481	0.721	1.621	121.0	5.167	1.333	1.826	1111.	1.	33.05
B Fr.	1.455	2.182	4.900	366.2	15.64	4.033	5.524	3363.	3.026	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

June 23	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	10-10⅛	10-10⅛	10-10⅛	9⅞-9¹⁵⁄₁₆	9¹¹⁄₁₆-9¹³⁄₁₆	9⅝-9¾
U.S. Dollar	6⅞-7	6¹⁵⁄₁₆-7¹⁄₁₆	6¹⁵⁄₁₆-7¹⁄₁₆	6¹⁵⁄₁₆-7¹⁄₁₆	6¹⁵⁄₁₆-7¹⁄₁₆	7¹⁄₁₆-7³⁄₁₆
Can Dollar	8-8⅛	8-8½	8¹⁄₁₆-8³⁄₁₆	8⁷⁄₁₆-8⁹⁄₁₆	8⁹⁄₁₆-8¹¹⁄₁₆	8¾-9
D Guilder	6⅛-6⅝	6⅛-6⅝	6⅛-6¼	5¹⁵⁄₁₆-6¹⁄₁₆	5¹⁵⁄₁₆-6¹⁄₁₆	5¹⁵⁄₁₆-6¹⁄₁₆
Sw. Franc	1¼-1½	19-20	6¼-6⅜	5⅝-5¾	5¼-5⅝	5¼-5⅝
Deutschmrk	4½-4⅝	4½-4⅝	4½-4⅝	4½-4⅝	4⁹⁄₁₆-4¹¹⁄₁₆	4⅝-4¾
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B.Fr.(Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	8⅝-9⅛	8⅝-9⅛	8⅞-9⅜	8½-9	8⅝-9⅛	8⅝-9⅛
Asian $ (Sng)	6¹³⁄₁₆-7¹⁄₁₆	6¹³⁄₁₆-7¹⁄₁₆	6¹³⁄₁₆-7¹⁄₁₆	6⅞-7	6⅞-7	7¹⁄₁₆-7³⁄₁₆

Long-term Eurodollars: two years 7⅝-7¾ per cent; three years 8⅛-8¼ per cent; four years 8¼-8½ per cent; five years 8½-8¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

June 23	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.7	−10.9
U.S. dollar	116.9	+0.8
Canadian dollar	79.0	−10.2
Austrian schilling	135.1	+7.0
Belgian franc	94.9	−7.6
Danish Kroner	86.2	−1.5
Deutsche mark	134.4	+14.4
Swiss franc	159.0	+17.8
Guilder	124.3	+9.1
French franc	68.7	−10.0
Lira	46.9	−18.0
Yen	206.3	+61.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 23	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.774695	0.686543
US $	6½	1.1560	0.947495
Canadian $	8.79	*	1.31436
Austria Sch	4	N.A.	1.51105
Belgian Fr	8	N.A.	43.9262
Danish Kr	7	N.A.	7.97317
D'mark	3½	2.6227	2.14987
Guilder	4½	N.A.	2.49110
French Fr	9½	8.3697	6.85607
Lira	12	N.A.	1474.78
Yen	3½	196.41	160.032
Norway Kr	8	N.A.	7.29571
Span'h Pta.	—	N.A.	137.579
Swedish Kr	8	N.A.	6.90010
Swiss Fr	4	N.A.	1.76187
Greek Drch.	20½	N.A.	135.302
Irish Punt	—	N.A.	0.709203

*CS/SDR rate for June 20: 1.61360.

OTHER CURRENCIES

June 23	£	$
Arg'tina	1.3090-1.3115	0.8800-0.8810
Aus'alia	2.1725-2.1800	1.4600-1.4615
Brazil	20.45-20.51	13.77-13.81
Finland	7.7965-7.8005	5.2000-5.2050
Greece	210.80-215.20	141.57-144.33
H'kong	11.6170-11.8270	7.8100-7.8120
Iran	110.00*	78.30*
Kuwait	0.4390-0.4400	0.2955-0.2957
Lux'burg	68.70-68.80	45.80-45.90
Malaysia	3.9150-3.9180	2.6310-2.6340
N'Z'land	2.7725-2.7825	1.8660-1.8665
Saudi Ar.	5.5725-5.5760	3.7505-3.7510
Sin'pore	3.3110-3.3140	2.2270-2.2290
S Af.(Cm)	3.7675-3.7890	2.5275-2.5440
S.Af.(Fn)	5.4415-5.4665	3.6565-3.6645
U.A.E.	5.4665-5.4685	3.6720-3.6735

* Selling rate.

Correction for June 19, Finland $: 5.1860-5.1990.

STERLING INDEX

	June 23	Previous
8.30 am	75.7	75.6
9.00 am	75.7	75.7
10.00 am	75.6	75.7
11.00 am	75.6	75.7
Noon	75.6	75.7
1.00 pm	75.6	75.7
2.00 pm	75.6	75.8
3.00 pm	75.5	75.7
4.00 pm	75.7	75.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.6761	43.9262	+0.61	+0.61	±1.5368
Danish Krone	7.91896	7.97317	+0.68	+0.71	±1.6403
German D-Mark	2.13834	2.14987	+0.48	+0.57	±1.1202
French Franc	6.96280	6.85607	−1.53	−1.50	±1.3701
Dutch Guilder	2.40935	2.42113	+0.49	+0.52	±1.5081
Irish Punt	0.712956	0.709203	−0.53	−0.50	±1.6689
Italian Lira	1496.21	1474.78	−1.43	−1.43	±4.0788

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Quiet trading

Most contracts were confined to a narrow range in the London International Futures Exchange yesterday in quiet trading. The market was faced with a number of uncertainties which prevented values from moving much from last week's closing levels.

Comments over the weekend by Japanese officials dampened hopes of a cut in Japanese interest rates while West German officials had already ruled out such a move because of a rise in money supply growth. This reduced the possibilities of a cut in the US discount rate.

In addition tomorrow's meeting of Opec ministers left traders a little cautious while an auction of seven-year US Treasury bonds on the same day created additional uncertainty. Looking further ahead, Friday sees the release of US trade figures which are likely to influence the argument for lower US interest rates while in Tokyo today figures are expected for the first quarter GNP.

Retail interest was sporadic with the approach of the half year likely to provide additional technical movements.

Gilt prices and three-month sterling deposits were influenced by a weaker pound against the dollar although the pound remained steady overall and recouped earlier losses against the dollar towards the close. This was too late to affect prices in London however.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	5.55	6.39	—	—	0.33	1.39	—	—
118	4.21	5.12	—	—	0.63	2.18	—	—
120	3.01	4.09	—	—	1.43	3.09	—	—
122	1.63	3.11	—	—	0.41	4.11	—	—
124	1.15	2.24	—	—	3.57	5.24	—	—
126	0.46	1.47	—	—	5.24	6.47	—	—
128	0.25	1.15	—	—	7.03	5.16	—	—
130	0.12	0.56	—	—	0.54	9.65	—	—

Estimated volume total, Calls 567, Puts 501
Previous day's open int. Calls 8,836, Puts 340

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
86	10.62	11.02	—	—	0.12	0.64	—	—
88	0.00	9.30	—	—	0.23	1.28	—	—
90	7.28	8.01	—	—	0.42	1.63	—	—
92	5.57	6.45	—	—	1.07	2.43	—	—
94	4.33	5.36	—	—	1.47	3.33	—	—
96	3.23	4.33	—	—	2.37	4.31	—	—
98	2.26	5.40	—	—	3.40	0.38	—	—
100	1.43	2.56	—	—	4.57	6.54	—	—

Estimated volume total, Calls 52, Puts 21
Previous day's open int. Calls 1,375, Puts 436

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.30	—	—	19.33	10.00	—	—	0.10	0.63
1.35	14.33	14.33	14.33	14.33	0.00	0.14	0.38	[illegible]
1.40	0.33	9.33	9.46	10.09	0.05	0.59	1.11	[illegible]
1.45	4.63	0.44	5.92	7.00	0.64	1.77	2.57	[illegible]
1.50	1.64	2.72	3.32	4.60	2.45	4.05	4.97	[illegible]
1.55	0.29	1.13	1.66	2.87	6.20	7.46	8.31	[illegible]
1.60	0.03	0.39	0.73	1.69	10.94	11.72	12.38	[illegible]

Estimated volume total, Calls 464, Puts 44
Previous day's open int. Calls 2,863, Puts 3,202

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.50	1.50
1.35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.40	2.30
1.40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.70	4.50
1.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.10	7.10
1.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.35	10.30
1.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.20	13.90
1.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.90	18.30

Previous day's open int. Calls 4,329, Puts 1,638
Volume, 28

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last July	Aug	Sept	Dec	Puts—Last July	Aug	Sept	Dec
1.30	—	—	18.65	18.70	—	—	0.10	0.00
1.35	13.55	—	13.50	13.90	—	—	0.30	1.25
1.40	8.55	—	8.90	9.70	0.00	—	1.00	2.60
1.45	4.00	4.85	6.35	6.50	0.45	1.65	2.40	4.40
1.50	1.10	2.30	2.85	4.20	2.40	3.90	4.80	6.00
1.55	0.16	0.80	1.40	2.00	8.30	7.40	8.05	10.10
1.60	0.00	0.30	0.60	1.40	11.20	11.70	12.30	13.90

Previous day's open int. Calls 26,671, Puts 21,294
Previous day's volume, Calls 430, Puts 262

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.00	1.34	1.10	[illegible]	[illegible]	0.01	0.03	[illegible]	[illegible]
92.25	1.09	0.88	[illegible]	[illegible]	0.01	0.06	[illegible]	[illegible]
92.50	0.78	0.79	[illegible]	[illegible]	0.05	0.10	[illegible]	[illegible]
92.75	0.57	0.62	[illegible]	[illegible]	0.09	0.27	[illegible]	[illegible]
93.00	0.38	0.46	[illegible]	[illegible]	0.16	0.36	[illegible]	[illegible]
93.25	0.24	0.33	[illegible]	[illegible]	0.28	0.48	[illegible]	[illegible]
93.50	0.14	0.24	[illegible]	[illegible]	0.41	0.63	[illegible]	[illegible]

Previous day's open int. Calls 378, Puts 1,018
Volume, 0

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
June	121-05	—	—	121.15
Sept	121-11	121-20	121-03	121-20
Dec	121-00	121-06	120-30	121-10
March	120-26	—	—	121-04

Est volume 5,038 (8,888)
Previous day's open int 20,146 (19,770)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) (32nds)

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
June	101-60	—	—	102-04
Sept	101-54	101-55	101-50	101-56

Est volume 37 (94)
Previous day's open int 1,075 (1,109)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Sept	90.69	90.71	90.64	90.70
Dec	90.83	90.84	90.80	90.87
March	90.76	90.78	90.72	90.77
June	90.60	90.60	90.58	90.60
Sept	90.46	—	—	—

Est volume 1,214 (3,862)
Previous day's open int 14,781 (15,104)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
June	163.00	164.30	162.50	164.20
Sept	165.40	167.10	165.10	166.60
Dec	165.40	167.10	165.10	166.60

Est volume 735 (405)
Previous day's open int 2,564 (2,558)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	93.23	93.26	93.22	93.24
Dec	93.10	93.12	93.10	93.11
March	92.88	92.88	92.87	92.90
June	92.58	—	—	92.60
Sept	92.26	—	—	92.30
Dec	90.36	—	—	92.01

Est volume — (4,125)
Previous day's open int 15,004 (15,049)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	96-26	97-04	96-19	96-03
Dec	96-01	—	—	95-11

Est volume 3,877 (8,171)
Previous day's open int 5,307 (5,349)

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	93.35
Dec	—	—	—	93.56
March	—	—	—	93.41
June	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	93.29	93.27	93.22	93.26
Dec	93.08	93.13	93.08	93.11
March	92.88	92.89	92.85	92.88
June	92.55	92.58	92.55	92.57
Sept	92.25	92.27	92.24	92.26
Dec	91.96	91.98	91.95	91.97
March	91.66	91.69	91.66	91.69
June	91.40	91.41	91.40	91.43

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	96-30	97-06	96-20	97-02
Dec	96-04	96-11	95-28	96-09
March	95-09	95-17	95-06	95-17
June	94-17	94-25	94-15	94-26
Sept	93-29	—	—	94-05
Dec	—	—	—	93-18
March	—	—	—	93-01
June	92-10	92-15	92-10	92-16
Sept	—	—	—	92-00
Dec	—	—	—	91-14

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Sept	94.18	94.22	94.18	94.21
Dec	94.10	94.20	94.16	94.17
March	94.00	94.03	94.00	94.00
June	93.74	93.77	93.74	93.74
Sept	93.48	93.50	93.48	93.48
Dec	—	—	—	93.23
March	—	—	—	92.99

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4864	1.4896	1.4804	1.4745	1.4657

IMM—STERLING $e per £

	Latest	High	Low	Prev
Sept	1.4725	1.4800	1.4775	1.4830
Dec	1.4680	1.4700	1.4680	1.4740
March	—	—	—	1.4625

Est. volume 1,180 (95)
Previous day's open int 9,058 (984)

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.4835	1.4860	1.4770	1.4808
Dec	1.4745	—	—	1.4618
March	1.4665	—	—	1.4738

MONEY MARKETS

UK rates little changed

UK clearing bank base lending rate, 10 per cent since May 23

Interest rates showed very little overall change in London yesterday in rather quiet and featureless trading. Three-month interbank money finished at 9¹⁵⁄₁₆-9¹³⁄₁₆ per cent, the same as on Friday. Overnight funds opened at 10¼-10⅛ per cent which proved to be the day's high and drifted later on to a low of 6 per cent.

The Bank of England forecast a shortage of around £50m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £846m and Exchequer transactions a further £10m. These were partly offset by a fall in the note rate circulation of £270m and banks' balances brought forward £80m above target.

The Bank gave assistance in the morning of £151m through outright purchase of £28m of eligible bank bills in band 1 at 9⅞ per cent and in band 2 £47m of eligible bank bills and £4m of local authority bills all at 9¹³⁄₁₆ per cent. In band 3 it bought £11m of eligible bank bills, £5m of local authority bills and £2m of Treasury bills at 9¾ per cent and in band 4 £54m of eligible bank bills at 9¹¹⁄₁₆ per cent. In the afternoon assistance came to £257m and comprised purchases of £82m of eligible bank bills in band 2 at 9¹³⁄₁₆ per cent and in band 3 £75m of eligible bank bills and £9m of local authority bills at 9¾ per cent. In band 4 it bought £40m of eligible bank bills at 9¹¹⁄₁₆ per cent. Late assistance came in £110m, making a total of £518m.

In Frankfurt call money rose to 4.30 per cent as liquidity levels were reduced by tax payments. However there was still a good supply of credit. The Bundesbank announced a 28-day sale and repurchase agreement at a fixed rate of 4.35 per cent with funds credited tomorrow and expected to replace a maturing 34-day agreement which will drain DM 5.9bn. Despite the expected influx of funds, there was little hope of a cut in West German interest rates

NEW YORK RATES
(Lunchtime)

Prime rate	8½
Broker loan rate	8
Fed funds	6⅞
Fed funds at intervention	6⅞
Treasury Bills & Bonds	
One month	6.93
Two month	6.11
Three month	6.32
Six month	5.47
One year	5.48
Two year	7.03
Three year	7.22
Four year	7.40
Five years	7.46
Seven year	7.57
10 year	7.58
30 year	7.45

FT LONDON INTERBANK FIXING

(11.00 a.m. June 23)

Three months US dollars		Six months US dollars	
bid 6¹⁵⁄₁₆	Offer 7¹⁄₁₆	bid 6¹⁵⁄₁₆	Offer 7¹⁄₁₆

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 23	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	6-10¼	9⅞-10⅛	10-10⅛	9¹⁵⁄₁₆-9¹³⁄₁₆	9⅝-9¹³⁄₁₆	9⁹⁄₁₆-9¾
Sterling CDs	—	—	9¹⁵⁄₁₆-10¹⁄₁₆	9¹³⁄₁₆-9¹⁵⁄₁₆	9⁹⁄₁₆-9¹¹⁄₁₆	9½-9⅝
Local Authority Depos	10	9¾-10¹⁄₁₆	10	9¾-9¹⁵⁄₁₆	9⅝	9½-9⅞
Local Author'y Bonds	—	—	10⅛	10⅛	10¼	9⅞
Discount Mkt Depos.	7-9½	10	9¾	9¼	—	—
Company Depos.	10-10⅛	10⅛-10¼	10¹⁄₁₆-10¼	10	—	—
Finance House Depos	—	—	10⅛	9¹³⁄₁₆	9¹³⁄₁₆	9¾
Treasury Bills (Buy)	—	—	9¹³⁄₁₆	9⅝	—	—
Bank Bills (Buy)	—	—	9¹³⁄₁₆	9⅝	9⅜	—
Fine Trade Bills (Buy)	—	—	10¹⁄₁₆	10¼	9¹⁵⁄₁₆	—
Dollar CDs	—	—	6.85-6.90	6.9-6.95	6.95-7.00	7.10-7.10
SDR Linked Depos	—	—	6⅝-6⅝	6⅝-6⅝	6⅝-6⅝	6¹¹⁄₁₆-6¹³⁄₁₆
ECU Depos	—	—	7¹⁄₁₆-7³⁄₁₆	7¹⁄₁₆-7³⁄₁₆	7¹⁄₁₆-7³⁄₁₆	7³⁄₁₆-7⁵⁄₁₆

Treasury Bills (sell): one-month 9²¹⁄₃₂ per cent; three months 9¹⁷⁄₃₂ per cent. Bank Bills (sell): one-month 9²³⁄₃₂ per cent; three months 9¹⁹⁄₃₂ per cent. Treasury Bills: Average tender rate of discount 9.5050 per cent. ECGD Fixed Finance Scheme IV reference date May 7 to June 3 (inclusive) 10.176 per cent.

Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 10½ per cent from June 1 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9¾ per cent; three-six months 9¾ per cent; six-nine months 9¾ per cent; nine-12 months 9¾ per cent. Under £100,000 9¾ per cent from June 20. Deposits held under Series 5 9¾ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

June 23	Ov'rnig't	One Month	Two Months	Three Months	Six Months	Lombard Int'v'tn
Frankfurt	4.25-4.35	4.40-4.55	4.45-4.60	4.45-4.60	4.50-4.66	5.5
Paris	7	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7
Zurich	⅞-1⅛	5⅞-6	—	5⅞-5⅝	—	—
Amsterdam	6½-6⅝	6⁹⁄₁₆-6¾	—	5¹³⁄₁₆-6¹⁄₁₆	—	—
Tokyo	4.28185	4.08750	—	4.68750	—	—
Milan	12⅝-12¾	12⅛-13⅛	—	12-12⅝	—	—
Brussels	6.65	7⅛-7¼	—	7¹⁄₁₆-7⁵⁄₁₆	—	—
Dublin	9⅛-9⅝	9⅛-9⁷⁄₁₆	9⅛-9⅜	9⅛-9⅝	9⅛-9⅝	—

Company Notices

NOTICE OF MEETING
To the Holders of
XEROX CANADA FINANCE INC.
(Incorporated with limited liability in Canada)

Ecu 40,000,000 8½% DEBENTURES DUE 1990
("the Debentures")

NOTICE IS HEREBY GIVEN that a Meeting of the holders of the Debentures will be held on July 17 1986 at 21 Holborn Viaduct, London EC1A 2DY at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution:

That this meeting of the holders of the Debentures of Xerox Canada Finance Inc. HEREBY

(a) assents to amendment of Condition 3(a) (2) of the Debentures by its deletion therefrom and the substitution therefor of the following with effect from the passing of this resolution:

"mortgages on property or assets subsequently acquired (or, in the case of property, constructed) by the Company created to, at the time of, or within 18 months after such acquisition (or the completion of such construction), to secure or provide for the payment of or the financing or re-financing of the payment of all or any part of the purchase (or construction) price."

(b) authorises Xerox Canada Inc. to amend the Deed Poll dated 23rd September 1985 ("Deed Poll") in order to clarify clause 3 of the Earnings Support Agreement (as defined in the Deed Poll) by deleting the existing clause (2)(A) (i) (a) of the Deed Poll and substituting the following therefor with effect from the passing of this resolution:

"(a) its obligations under the Earnings Support Agreement, provided however that, for greater certainty, any reference in such Earnings Support Agreement to ownership of voting shares of the Company means and includes for purposes hereof, direct or indirect (through one or more wholly owned subsidiaries) ownership of such voting shares and"

By Order of the Board.
XEROX CANADA FINANCE INC.,
by Banque Paribas,
(Luxembourg) S.A.
of Luxembourg, Fiscal Agent.

June 24 1986.

Notes:
1. To attend and vote at the Meeting, holders of Debentures must produce either their Debentures or voting certificates. Such holders may also appoint proxies. To obtain a voting certificate or appoint a proxy, holders of Debentures must deposit their Debentures at any time with (or to the order of) the Fiscal Agent or any Paying Agent not later than 48 hours before the time fixed for holding the Meeting but not thereafter.
2. Should a holder of Debentures not wish to be present in person, he may either deliver his voting certificate to the person he wishes to attend on his behalf or complete Block voting instructions. Block voting instructions must be received at the offices of the Fiscal Agent or any Paying Agent not later than 48 hours before the time of the Meeting.
3. Any vote given in accordance with block voting instructions will be valid unless written notification of revocation or amendment from the Fiscal Agent or Paying Agent is received by Xerox Canada Finance Inc. not less than 48 hours before the time for the Meeting at which the block voting instructions are to be used.
4. Any enquiries in relation to the business of this Meeting should be addressed to Xerox Canada Finance Inc. at 703 Don Mills Road, North York, Ontario, Canada.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN PIONEER ELECTRONIC CORPORATION

We are pleased to announce that copies of The 35th Semi-annual Business Report for the six months period ended 31st March, 1986, of Pioneer Electronic Corporation are now available to EDR Holders, upon application, at the offices of the Depositary, The Bank of Tokyo, Ltd., 20-24 Moorgate, London EC2R 6DH, and the Agent, The Bank of Tokyo (Luxembourg) S.A., 22-24 Boulevard Royal, Luxembourg.

THE BANK OF TOKYO TRUST COMPANY
(London Depositary)

24th June, 1986.

U.S.$75,000,000
GRUPO INDUSTRIAL ALFA S.A.
FLOATING RATE NOTES DUE 1985

For the three month interest period from 24th June 1986 to 24th September, 1986 the Notes will carry an Interest rate of [illegible] p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$255.5[illegible].

CREDIT SUISSE FIRST BOSTON LIMITED
Agent Bank

England.

Legal Notice

No. 002055 of 1986
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
WESTWOOD DAWES LTD.
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 27th March, 1986 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £907,500 to £750,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Hoffmann at the Royal Courts of Justice, Strand, London WC2A 2LL, Room 312, on Monday 7th July, 1986.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

Dated the 23rd day of June, 1986.
WRAGGE & CO.,
of Bank House,
8 Cherry Street,
Birmingham B2 5JY.
(Ref: 25183/001.)
Solicitors for the above-named Company.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Art Galleries

RICHARD GREEN, 4 New Bond St., W1. 01-493 3939. LES PETITS-MAITRES ET LES POST-IMPRESSIONISTES. Daily 10-6; Sats 9.30-12.00. Opens June 25th. LEGER, 13, Old Bond Street. ENGLISH PICTURES FOR THE COUNTRY HOUSE. Mon. to Fri. 9.30-5.30.

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 23, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100½	Exch 14pc 1986	101	+	13.80	9.47
98	94⅞	Exch. 2½pc 1986	98	−	2.55	6.68
102	100¾	Exch. 13¼pc 1987	102	−	12.98	9.52
100	97	Treas 10¼pcCv '87	100	−	10.21	9.46
97	92	Exch 2½pc 1987	97	....	2.56	6.65
101¼	97½	Exch. 10½pc 1987	100¼	−	10.41	9.32
98	93	Funding 6½pc '85-87‡‡	98	+	6.61	8.71
101¼	96	Treas. 10pc 1987	100	−	9.95	9.36
97	90⅞	Treas 3pc 1987	96	−	3.10	6.43
104½	99	Treas. 12pc 1987	103	....	11.63	9.36
99	92	Treas 7¾pc 1985-88‡‡	98	−	7.89	8.92
104	96	Exch 10½pc '88	102	+	10.25	9.03
102	95	Treas 9¾pc Cv '88	101	...	9.64	9.11
94	86	Transport 3pc '78-88	92	−	3.23	6.80
102½	93	Treas. 9½pc '88	100½	+	9.44	9.22
107	98	Treas 11½pc 1989	105	+	10.92	9.17
103	93	Treas 9½pc Cnv. '89	101¼	+	9.38	8.98
92	82	Treas 3pc 1989	90	...	3.31	6.61
105	95	Treas 10½pc 1989	103	+	10.18	9.25
104	94	Exch. 10pc 1989	103	+	9.80	9.27
107	97	Exch 11pc 1989	104	....	10.48	9.18
93	84	Treas 5pc 1986-89	92	..	5.40	7.57
110	99	Exch 10¼pcCv '89	105	+	9.72	8.35
114	103	Treas 13pc 1990‡‡	113	.	11.65	9.12
108	97	Exch 11pc 1990‡‡	105	+	10.43	9.13
113¼	101	Exch. 12½pc 1990	110	+	11.38	9.09
89	79	Treas. 3pc 1990	88	−	3.39	6.34
100	89	Treas 8¼pc 1987-90‡‡	98½	.....	8.38	8.70
106	93	Treas. 10pcCv 1990	103	..	9.68	9.06
86	76	Exch 2½pc 1990	85⅞	. .	2.92	6.21
112	99	Treas 11¾pc 1991	109	.	10.71	9.09
94	83	Funding 5¾pc '87-91‡‡	93½	−	6.16	7.37
86¼	86	Treas. 3pc 1991●	86	−	3.49	6.38

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
42	26	Anglo Utd Dev	29		‡0.05	♦	5.2
80	45	♥Colby Res Corp	55		—	—	—
300	160	Cons. Murch 10c	165		Q100c	♦	13.2
34	28	♦Eoney Ior Ir10p	31		—	—	—
102	70	Greenwich Res	97		—	—	—
157	93	Hampton Areas 10p	153	-3	♦1.0	—	0.9
250	165	♥Highwood Res.	240	+2	—	—	—
£19¼	£13½	Homestake Mining $1	£15	+½	Q20c	—	0.9
310	175	♥McFinley Red Lake	200	-3	—	—	—
285	195	♥Mosto Explorations	240	+13	—	—	—
51	33	♥New Sabina Res C$1	37	+2	—	—	—
260	207	Nordgate C$1	220	+8	—	—	—
790	513	RTZ	605	-3	22.0	2.0	5.1
£164	£115	Do 9½pcLn '95-2000	£134	-1½	Q9½%	15.5	7.2
950	880	♥Tara Expln $1	875		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ● Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- 0 No par value.

B.Fr. Belgian Francs. Fr. French Francs. ## Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118		Fin 13% 97-02	£121¾	
Craig & Rose £1	£13		Arnotts	317	-5
Finlay Pkg 5p	43		CPI Hldgs	48	
Holt (Jos) 25p	800	-10	Carroll Inds	146	
IOM Stm. £1	87		Dublin Gas	53	
			H.&J. & H.	75	
IRISH			Heiton Hldgs	29	
Fund 11¾% 1988	£103½		Irish Ropes	110	+3
Nat 9¾% 84/89	£101½		Unidare	190	

"Recent Issues" and "Rights" Page 39
(International Edition Page 33)

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 2	June 12	June 13	June 23
June 16	June 26	June 27	July 7
June 30	July 10	July 11	July 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Institutional buyers hold off and equities suffer a reversal

Leading shares suffered their first setback in eight trading sessions when institutional investors stepped back yesterday. Publication of two business surveys doubting the Chancellor's predictions for UK economic growth—both the CBI and LBS were optimistic on the outlook for inflation—may have influenced investment managers to be more cautious.

On the other hand, some may have decided to conserve their resources for the impending Morgan Grenfell and Thames TV share flotations. Whatever the reason, the absence of the recent selective demand from these sources flushed out loose trading stock from short-term operators.

The realisation of profits established during the sustained price advance initially brought only a tentative reaction. The decline accelerated, however, as dealers took the opportunity to mark prices down more sharply, offering opinions that Wall Street was unlikely to hold the technical upsurge which occurred late on Friday. This was indeed the case for the Dow Jones index reacted sharply in the early trade yesterday.

The forecasts of slower UK growth affected the Electrical sector more than any other. GEC came under selling pressure and led the retreat, but Racal Electronics also succumbed awaiting today's preliminary statement. The broader market scene was measured by the FT indices which gave up small early gains to close at the day's lowest. The FT-SE 100 share index ended 14.4 down at 1622.8, while the FT Ordinary share index closed 15.2 off at 1338.2.

Government securities opened higher, most at Friday's enhanced late levels; the recovery was largely a reflection of the better trend in the US bond market. Business was generally light and potential investors were not discouraged by sterling's easier tone against the dollar; the pound went higher on most Continental currencies. Longer-dated Gilts fluctuated narrowly either side of the opening levels and closed showing gains ranging to ¼. Index-linked issues participated in the rally, despite the favourable forecasts on inflation. Renewed hedge buying against equity market commitments left some stocks ¼ higher on balance.

Royals lower

Royals fell 25 to 842p among dull Composites following reports that New York could follow Florida's recent lead and cut premiums on a wide range of policies, including those for commercial properties. Elsewhere, General Accident relinquished 12 at 800p and Commercial Union gave up 4 at 303p. Lloyds Broker C.E. Heath remained a friendless market and fell 28 further to 540p; it was announced last week that the group had made a bid approach to Dewey Warren, 5 off at 133p.

NatWest succumbed to renewed profit-taking, the old closing 10 easier at 492p, and the new nil-paid 11 lower at 287p premium. Lloyds, meanwhile, rumoured to be about to increase its bid for Standard Chartered, gave up 4 at 358p; SC cheapened 4 at 803p. Merchant banks were selectively firm, still reflecting hopes that the forthcoming Morgan Grenfell flotation will be a success. Leopold Joseph added 15 at 480p as did Mercury International at 795p, after 810p. Among Hire Purchases, Equity and General reacted a penny more at 21p on further consideration of the disappointing annual results.

Breweries finished a shade easier for choice following yet another lacklustre business. Guinness, firm last week reflecting encouraging notices emanating from a broker's meeting, ran back 5 to 320p, while Scottish and Newcastle closed 3 off at 207p; the latter's preliminary figures are scheduled for July 1. Among regionals USM-quoted G. Ruddle hardened a couple of pence to 165p in response to the annual figures.

Brownlee emerged as an outstanding late feature in the Building sector, jumping 25 to 95p on news of the bid approaches. Manders put on 11 to 288p following details of the sale of its 11.3 per cent stake in Usher Walker, but Ibstock Johnsen fell 10 to 168p on the proposed £2.3m rights issue. Meyer International, a firm market of late on the results, retreated 12 at 267p and renewed profit-taking in Helical Bar left a close of 230p, down 5.

ICI drifted lower to finish 5 off at 974p.
sector.

Marks and Spencer dull

Leading Retailers closed a few pence easier for choice after another extremely subdued session. Marks and Spencer attracted a fair measure of attention, however, and fell to 195p before settling 5 cheaper on balance at 196p following an adverse press mention. Burton, the subject of often substantial support last week following a broker's "buy" recommendation, eased 6 to 284p on sporadic profit-taking. Sears shed 2 to 124p in the wake of its agreed share-exchange bid for Milletts Leisure, finally 25 higher at 215p, after 225p. Secondary Stores, on the other hand, provided some bright spots. S. Casket responded to persistent speculative demand and rose 4 to 52p, while Ellis and Goldstein were wanted at 81p, a gain of 5.

Among Shoes and Leather counters, Stylo dipped 10 to 243p reflecting nervous offerings in front of tomorrow's annual meeting.

Leading Electricals were looking distinctly unsettled pending today's preliminary statement from Racal, which settled 6 lower at 194p, after 192p. Similar falls were recorded in British Telecom, 232p, and Plessey, 232p, while GEC, scheduled to reveal annual results on July 1, dipped 8 to 196p. Thorn EMI fell 12 to 459p. In contrast, Cable and Wireless, preliminary figures due tomorrow, firmed 10 to 688p. Good annual results left Volex 10 higher at 320p, but Apricot remained a poor market and fell 5 further to 50p. Profit-taking clipped 8 from Oxford Instruments and falls of a like amount were recorded in STC, 146p, and BSR, 97p.

Apart from Hawker, which remained an unsettled market at 557p down 10 following the recent cautious statement by the chairman, falls in the Engineering leaders were limited to a few pence. Elsewhere, James Neill responded smartly to favourable press mention with a gain of 24 at 200p, but comment on the preliminary figures prompted fresh dullness in Benold, down 6 more at 72p. Glynwed closed a similar amount lower at 324p, but Newman Tonks, awaiting tomorrow's interim statement, firmed 7 to 142p. Simon Engineering, an old bid favourite, reacted 9 to 271p.

Argyll Group fell 12 to 318p in reaction to adverse comment ahead of today's preliminary results. Profit-taking in the wake of the uninspiring annual figures left Avana 24 lower at 538p, while Asda-MFI cheapened 2 to 144p. Elsewhere in Foods, Bernard Matthews, at 250p recorded a press-inspired gain of 7 and Hillsdown reflected expansion hopes with an improvement of 8 at 283p. Perennial takeover favourite RHM touched 230p in the early dealings before closing a net 3 dearer on balance at 225p and speculative support also left Albert Fisher 3 better at 174p. American concern Dart and Kraft rose 3 points to £43½ following bullish reviews given by US analysts of the company's plan to split into two separate groups.

In Hotels, Mount Charlotte, at 88p, and Queens Moat, at 72p, improved 1½ apiece following press comment.

Hestair react

Hestair met with early selling as bid hopes faded and reacted to 178p before recovering a little to close 17 lower on the day at 186p; Hestair made an agreed offer for JSD Computer last Friday. Elsewhere in the miscellaneous Industrial sector, Eleco advanced afresh to 153p and closed 10 higher on the day at 150p following news of the share exchange offer from Whitecroft; the latter ended unaltered at 245p. Favourable press mention directed buyers to Keep, which advanced 18 to 193p, and Longton Industrial, 12 higher at 222p. Revived bid speculation lifted Brammer 11 to 368p, but disappointing preliminary figures left Brown and Tawse 10 lower at 172p. BET, a good market recently on the Thames TV flotation, encountered occasional profit-taking and gave up 8 to 408p. Hawley hardened a few pence to 120p on acquisition news, while US demand prompted a gain of 18 to 486p in Reuters. Dealings were temporarily suspended in Staneleo at 70p; it was announced yesterday that the company is having discussions with Broadstreet Associates about a possible merger of interests. Leading issues drifted lower mainly for want of support. Beecham, which touched 405p initially on speculative support, subsequently reacted to close unaltered on the day at 396p.

Television Services, 10 higher at 145p, provided an isolated firm feature in the Leisure sector.

AE continued to feature Motor Components, rising 6 more to 245p on hopes of a counter to the unwelcome bid from Turner and Newall, unchanged at 227p. Elsewhere, ERF hardened a couple of pence to 61p awaiting tomorrow's half-timer.

Publishers were selectively firm. EMAP A put on 4 more to 187p, while United Newspapers touched a new peak of 390p before settling only 2 dearer on balance at 385p. International Thomson closed another 14 to the good at 569p. Paper/Printings were highlighted by James Cropper, finally 40 higher at 335p in response to the more-than-doubled full-year profits. John Waddington, still benefitting from the pleasing preliminary figures and proposed 4-for-1 scrip issue, hardened 10 more to a new peak of 905p.

Properties displayed no set trend following a moderate business. Abaco Investments responded afresh to favourable Press comment in the wake of the proposed acquisition of insurance loss adjusters, Toplis and Harding, and touched 70p before closing 3 higher on balance at 69p. Buying ahead of the results scheduled for July 3 left Daejan up 30 at 730p, while acquisition details helped Asda add 10 at 355p. Estates and Agency moved up 5 to 163p and Rosehaugh put on 10 at 610p, but Mann & Co softened 10 to 330p.

Textiles again lacked a decided trend. Revived speculative support lifted Hugh Mackay 12 to 115p, and Sanderson Murray and Elder 7 to 93p, the latter for a two-day advance of 13. Textured Jersey were also wanted and hardened a few pence to 188p. Illingworth Morris eased the turn to 127p despite revealing preliminary profits in excess of most market estimates, while Dawson International, which announced full-year figures late last week, gave up 4 more to 250p.

Among Tobaccos, Bats opened higher reflecting US advices and touched 405p before closing 8 dearer on balance at 396p. Rothmans International firmed a penny to 147p awaiting today's preliminary figures.

Among Financials, Antofagasta were quoted 52 lower at 625p ex the rights issue; the new nil-paid were volatile, trading between 200p premium and 112p premium before settling at 125p premium.

Oils mark time

The oil majors were content to mark time ahead of tomorrow's meeting of Opec members in Brioni and price changes in the leaders were negligible. Burmah hardened a fraction to a year's best of 389p, still boosted by the company's recent moves from oil and gas exploration into chemicals. Among second-liners, Clyde Petroleum attracted modest interest and moved up 2 more to 40p, while Ireland's Conroy Petroleum and Natural Resources, which recently made an encouraging lead/zinc discovery in the Irish Republic and in which Tara has purchased a 23.4 per cent stake, rallied well to close 9 firmer at 122p. Oliver Resources, on the other hand, fell away to 8p before settling a net 3 lower at 10p, following the proposed placement of 8.5m ordinary shares at 8p a share.

Lonrho dipped a few pence to 242p as sentiment was unsettled by adverse Press comment in the wake of US litigation. Elsewhere in Overseas Traders, occasional interest was shown for Boustead, a couple of pence dearer at 35p.

Plantations made progress across the board. Harrisons Malaysian, 72p, and Consolidated Plantations, 61p, improved 6 and 5 respectively.

Continuing nervousness over the situation in South Africa saw the Financial Rand ease afresh and Gold shares move down on general lack of interest and persistent small selling. Bullion failed to provide any stimulus to markets and closed 25 cents easier to $340.75 an ounce. The Gold Mines index fell away for the third consecutive trading day and settled a further 5.3 off at 208.5.

Movements in the heavyweights Golds were generally restricted to ½ in either direction but cheaper priced issues showed a majority of often substantial falls. Blyvoor dropped 26 to 274p, Doornfontein retreated 29 to 504p, Libanon were friendless and finally 51 lower at 731p. Venterpost dipped 31 to 256p.

South African Financials reflected the sombre picture displayed by Golds and "Amgold" fell away to close ¾ off at £38¼. Genbel lost 50 to 500p and Minorco 35 to 540p while Rand Mines Properties slipped back 10 to 200p.

In London-based Financials Consolidated Gold Fields attracted modest support and ended the session a net 5 harder at 430p, but Rio Tinto-Zinc, unsettled at the back end of last week on rumours of a "sell" recommendation from a leading broker, eased 5 more to 605p. Hampton Areas, where Alan Bond's Metals Exploration speaks for more than 32 per cent of the equity and Ron Brierley's IEP Securities holds a near 9 per cent stake, gave up 3 to 153p.

A negative performance by "down-under" issues in overnight Sydney and Melbourne markets and a relatively subdued showing by metals prices led to a quiet session in Australians. Speculative support boosted Barrack Mines 15 to 220p and Eastmet made progress to close at 42p, while Press comment helped Samson Exploration improve a shade to 8½p.

Traded Options

Subdued business in the underlying securities hindered activity in Traded Options. Total contracts amounted to 15,064 comprising 10,103 calls and 4,961 puts. GEC held centre-stage, recording 1,601 calls and 1,310 puts in a relatively lively and evenly-balanced business; the preliminary results are expected next week.

Scapa buys Multiflex UK

SCAPA GROUP, supplier of specialist industrial textiles, is acquiring Multiflex UK from its US parent Multiflex International for a total consideration of $6.35m (£4.3m).

Multiflex UK makes undersea cables for the oil industry. It has a plant at Leith, Edinburgh.

FINANCIAL TIMES STOCK INDICES

	June 23	June 20	June 19	June 18	June 17	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	90.47	90.32	90.47	90.63	91.03	81.92	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.61	96.43	96.61	96.56	96.65	86.58	97.51 (22/4)	86.95 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1338.2	1353.4	1350.0	1340.1	1326.0	965.2	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	[illegible] (26/6/40)
Gold Mines	208.5	213.8	216.7	220.9	207.0	440.2	357.0 (27/1)	192.3 (12/6)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.12	4.08	4.09	4.11	4.14	4.80				
Earnings Yld.%(full)	[illegible]	[illegible]	9.84	[illegible]	[illegible]	[illegible]				
P/E Ratio (net) (*)	12.39	12.41	12.36	12.29	12.19	10.15				
Total Bargains (Est)	23,839	23,574	25,654	24,531	24,834	22,196				
Equity Turnover £m.	—	587.68	671.61	548.40	628.50	242.39				
Equity Bargains	—	21,880	22,828	22,318	22,831	20,401				
Shares Traded (ml).	—	238.7	281.1	242.2	285.9	140.6				

S.E. ACTIVITY

Indices	June 20	June 19
Gilt Edged Bargains	119.9	120.5
Equity Bargains	141.8	147.9
Equity Value	1,187.8	1,357.5
5-Day Average		
Gilt Edged Bargains	123.2	128.5
Equity Bargains	147.5	154.7
Equity Value	1,174.7	1,159.3

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1354.6	1349.9	1343.7	1340.3	1340.0	1339.8	1338.5

Day's High 1354.2. Day's Low 1338.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.89.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Mon June 23 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Fri June 20 Index No.	Thur June 19 Index No.	Wed June 18 Index No.	Year ago (approx.) Index No.
1–70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71	Investment Trusts (103)	752.83	+0.1	—	2.98	—	9.15	751.34	751.58	748.64	577.84
81	Mining Finance (3)	266.82	−0.2	13.42	5.98	8.69	6.11	267.46	274.41	274.18	274.82
91	Overseas Traders (14)	670.75	−0.4	11.38	6.16	10.50	19.57	673.74	676.22	675.55	641.67
99	ALL-SHARE INDEX (736)	801.50	−0.6	—	3.91	—	11.59	806.60	803.21	797.90	612.99

	Index No.	Day's Change	Day's High	Day's Low	June 20	June 19	June 18	June 17	June 16	Year ago
FT-SE 100 SHARE INDEX ♣	1622.8	−14.4	1640.3	1622.6	1637.2	1629.6	1619.0	1605.3	1593.6	1266.6

FIXED INTEREST

	PRICE INDICES	Mon June 23	Day's change %	Fri June 20	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	123.37	+0.04	123.33	—	5.69
2	5-15 years	142.10	+0.28	141.70	—	6.90
3	Over 15 years	148.75	+0.35	148.24	—	7.29
4	Irredeemables	168.28	+0.02	168.24	—	6.30
5	All stocks	138.15	+0.21	137.86	—	6.61
	Index-Linked					
6	5 years	113.10	+0.11	112.97	—	1.18
7	Over 5 years	118.24	+0.25	117.94	—	1.64
8	All stocks	117.29	+0.23	117.83	—	1.56
9	Debentures & Loans	120.13	+0.08	120.03	—	5.74
10	Preference	87.48	−0.48	87.90	—	3.36

	AVERAGE GROSS REDEMPTION YIELDS		Mon June 23	Fri June 20	Year ago (approx.)
	British Government				
1	Low	5 years	7.65	7.64	10.29
2	Coupons	15 years	9.07	9.10	10.60
3		25 years	9.14	9.18	10.27
4	Medium	5 years	9.22	9.24	11.36
5	Coupons	15 years	9.39	9.43	10.87
6		25 years	9.40	9.44	10.40
7	High	5 years	9.34	9.36	11.40
8	Coupons	15 years	9.54	9.57	11.02
9		25 years	9.43	9.48	10.57
10	Irredeemables †		8.93	8.95	10.82
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.75	3.79	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.38	3.40	0.0
13	Inflat'n rate 10%	5 yrs	2.51	2.54	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.22	3.23	0.0
15	Debs &	5 years	9.99	10.00	11.88
16	Loans	15 years	10.24	10.25	11.70
17		25 years	10.32	10.32	11.50
18	Preference †		10.46	10.41	12.35

♣Opening index 1639.2; 10 am 1639.1; 11 am 1633.8; Noon 1628.4; 1 pm 1624.8; 2 pm 1624.3; 3 pm 1625.0; 3.30 pm 1624.1; 4 pm 1624.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (110)
AMERICANS (20), CANADIANS (2), BANKS (2), BREWERS (2), BUILDINGS (7), CHEMICALS (1), STORES (4), ELECTRICALS (8), ENGINEERING (2), FOODS (4), INDUSTRIALS (13), INSURANCE (1), MOTORS (4), NEWSPAPERS (3), PAPER (4), PROPERTY (8), TEXTILES (2), TRUSTS (18), OILS (4), PLANTATIONS (1), MINES (2).

NEW LOWS (14)
AMERICANS (2) Data General, Rexnord. BANKS (1) Copenhagen Handelsbank. ELECTRICALS (4) Apricot Computers, Lexicon Inc., Memec, United Leasing. ENGINEERING (1) SPP. INDUSTRIALS (2) Intereurope Tech., Tech. Project Serv.. INSURANCE (1) Heath (C. E.). PROPERTY (1) Markheath Sec., OILS (1) Oliver Res., MINES (1) Zambia Copper.

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	● Robert Fleming & Co.	10
American Express Bk.	10	Robert Fraser & Ptrs	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	● Guinness Mahon	10
Associates Cap Corp	10	● Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	● Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co.	10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd.	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd.	10
Banque Belge Ltd	10	Meghraj & Sons Ltd.	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11	● Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
● Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd.	10
Cedar Holdings	11	Norwich Gen. Trust	10
● Charterhouse Bank	10	PK Finans. Intl (UK)	11
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶12.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd.	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk.	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd.	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 25,031

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 23	July 4	Sept 25	Oct 6
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3

For rate indications see end of Unit Trust Service

Money was given for the call of Apricot Computers, Wellman, St Modwen Properties, Oliver Prospecting, Energy Capital, Rowntree Mackintosh, Trusthouse Forte, Berkeley and Hay Hill, United Spring, AE and Fobel International. No puts were reported, but double options were arranged in Amstrad and Oliver Prospecting.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
AE	245	+ 6	Heath (C. E.)	540	−28
Bowater Inds	330	+ 5	Hestair	186	−17
British Aerospace	525	− 5	Keep Trust	193	+18
British Telecom	232	− 6	Manders	288	+11
GEC	196	− 8	Marks and Spencer	196	− 5
Hawker Siddeley	557	−10	TI	526	+ 6

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE official list.

Stock	No. of changes	Fri. close	Day's change	Stock	No. of changes	Fri. close	Day's change
AE	30	239	+57	Beecham	14	396	+ 3
Rotaflex	23	448	+60	Grand Met	14	408	+ 5
Standard Chart	23	807	+ 2	JSD Computer	14	155	+10
ICI	18	979	+25	Armstrg. Eqpt.	13	132	+12
Cable and Wire	15	678	− 2	Hestair	13	203	+13
Prudential New	15	830	+20	Land Sec	13	333	+10

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	10	20
Corporations, Dominion and Foreign Bonds	17	15	39
Industrials	265	279	957
Financial and Properties	104	57	379
Oils	22	18	80
Plantations	8	1	9
Mines	31	48	106
Others	123	24	94
Totals	652	452	1,681

LONDON TRADED OPTIONS

[illegible]

June 23. Total contracts 15,064. Calls 10,103. Puts 4,961
*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm
June 23

F-No voting rights or restricted voting rights

Indices

NEW YORK

** Saturday June 21. Japan Nikkei (17454.86). TSE (1348.86).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

* Indicates pre-close figure

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES			FALLS		
Tr 12½ 03/05	£125⅝	+ £⅛	Antofagasta	625xr	−52
Tr 2½ IL 16	£99⅝	+ £⅛	Argyll Group	318	−12
AE	245	+ 6	Avana	538	−24
Abaco Invs	69	+ 3	Brown & Tawse	172	−10
BAT Inds	398	+ 8	GEC	198	− 8
Brownlee	95	+25	Hawker Sidd	557	−10
Casket (S)	52	+ 4	Heath (CE)	540	−28
Cropper (J)	335	+40	Hestair	188	−17
Daejan	730	+30	Ibstock	168	−10
Keep Trust	193	+18	Marks & S	196	− 5
Longton Ind'l	222	+12	NatWest†	287pm	−11
Mackay (Hugh)	115	+12	Racal Elec	194	− 6
Matthews (B)	250	+ 7	Royal Ins	842	−25
Milletts L	215	+25	Simon Eng	271	− 9
Neill (James)	200	+24	†Nil-paid		

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 43

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, June 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
56¼	53¼	Xerox pf5.40		2 8		60	55⅝	55⅛	55½	
28¾	20⅝	XTRA .64		2.9		188	22¼	22	22	−⅜
17⅜	13½	Yorkin n				218	17	16⅝	17	+⅛
30	25¼	ZaleCp 1.32		3.6		78	36⅝	36¾	36⅝	−⅜
10⅜	3½	Zapata .03i				480	4¼	4⅛	4⅛	
84½	47¾	Zayre .64		.6	26	1904	u85¾	84	86	+1
42½	25⅞	Zayre wi				51	u43¼	42½	43	+½
17	11⅛	Zemex .40		3.0	14	7	13¾	13½	13½	−⅜
28⅞	18¼	ZenithE				689	24⅛	23⅝	24⅛	+¾
18¼	8⅝	ZenLb s			22	1354	17	16⅜	16⅝	
22⅜	14⅜	Zero s .20		1.6	17	109	18⅜	17⅜	17¾	−⅜
45¾	32¼	Zurnin 1.32		3.6	13	25	37¼	37	37	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in-full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, June 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Determined attempt to regain poise

A DETERMINED attempt was made on Wall Street yesterday to recover its poise after Friday's upsurge in blue chips as the triple witching hour wrought its spell, *writes Terry Byland in New York.*

Investors were held in check by continuing doubts about the pace of the US economy, interest rates and oil prices. On the international front, this week brings a meeting of the Opec countries, while domestically, markets face US Treasury mini-refunding auctions of $14bn in four-year and seven-year securities.

As expected, the market leaders opened sharply lower as the witching hour buying programmes were switched off. Turnover was above recent levels although the institutions took a cautious role.

However, selling was light, and prices soon rallied from their early lows.

At 3pm the Dow Jones industrial average was down 7.84 at 1,671.70.

Industrials were chastened by a downgrading of gross national product estimates by a group of private economists. The group indicated that GNP was growing by only 2.3 per cent annually, less even than the Commerce Department's revised estimates which upset the market last week.

The stock market was restrained by IBM, down $⅝ at $146¼ as traders awaited the second-quarter earnings report.

Digital Equipment eased $⅞ to $84⅞, and Burroughs, moving into the slot of IBM's major competitor, eased $⅛ to $61⅛.

The Detroit car makers joined the general trend, Ford shedding $½ to $53¾ and General Motors $¾ to $76¼.

There was little immediate response to the Opec meeting in Yugoslavia – Sheikh Yamani reportedly said be expected no new accord on oil pricing.

Exxon, at $60¾, shed $¼, Atlantic Richfield eased $⅛ to $53⅝ and Chevron $¼ to $39⅞. Airline issues, traditionally a barometer of oil prices, remained subdued by fears of an impending price war.

United, at $51¾, held steady in thin trade while American fell $⅞ to $51⅞, also in slack turnover. Pan Am, down $⅛ at $5⅞, humped the year's low, with investors still fearful that the stake held by Resorts International might come on the market following settlement of the estate of Resorts' founder.

The Dow transportation average was again borne down by weakness in rail stocks, which are often regarded as a guide to the industrial outlook. Burlington Northern dipped $1⅜ to $64⅛, and Union Pacific shed $⅛ to $55¼.

Retail stocks burst to life after May Department Stores hid $2.7bn for Associated Dry Goods, which would give the US industry a new, and leading name. The bid, while generous, is aggressive, and Wall Street scented the first shots in an expected takeover battle in the industry.

Stock in Associated jumped $18½ to $84½, in heavy turnover, almost matching the $86 a share in May stock to be offered if the hid proceeds. May at $83 fell $4¾ and saw some selling pressure.

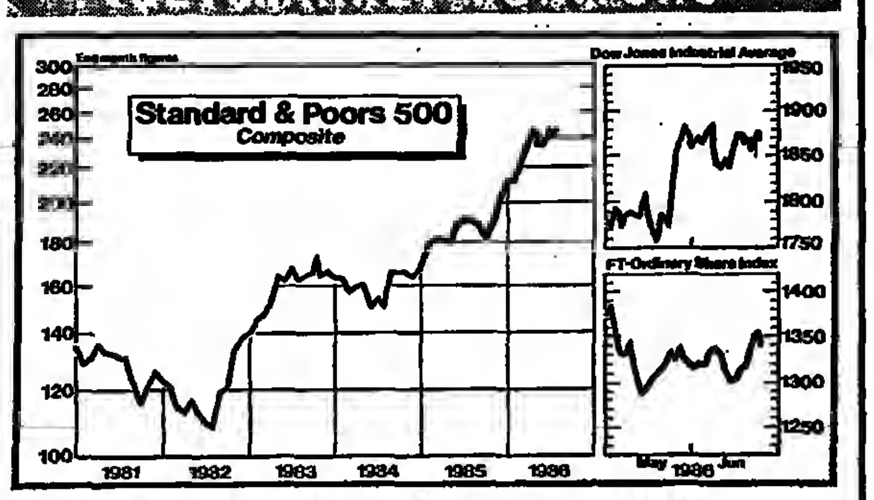
The excitement brought brisk trading in K mart, the largest US discount store, which added $1¼ at $53⅞ and in J.C. Penney, up $1⅜ at $82½, and in Federated Department Stores, up $2½ at $88¼.

The tobacco industry's health liability woes were eased when US Tobacco won a major court victory, which cleared it of responsibility for the death from cancer of a snuff-taker. US Tobacco, which manufactures only non-smoking products such as snuff and chewing tobacco, jumped $1⅛ to $41⅛. Philip Morris, $⅞ up at $70¾, and R.J. Reynolds, up $¼ at $51¾, extended the gains which have greeted the court ruling.

In the credit markets federal funds remained comfortably below 7 per cent, with the Fed again making $1.5bn in customer repurchases when the rate touched 6⅞ per cent.

Bond prices, sustained by firmness in bond futures, rallied from early minor losses to edge higher.

KEY MARKET MONITORS



STOCK MARKET INDICES

	June 23	Previous	Year ago
NEW YORK			
DJ Industrials	1,871.70	1,879.54	1,324.48
DJ Transport	769.13	778.13	649.58
DJ Utilities	189.83	190.49	166.85
S&P Composite	246.52	247.56	189.66
LONDON			
FT Ord	1,338.2	1,353.4	965.2
FT-SE 100	1,622.8	1,637.2	1,262.0
FT-A All-share	801.5	806.60	612.99
FT-A 500	885.34	891.20	668.86
FT Gold mines	208.5	213.8	440.2
FT-A Long gilt	9.43	9.48	10.56
TOKYO			
Nikkei	17,457.89	17,403.13	12,634.7
Tokyo SE	1,351.00	1,344.56	1,010.64
AUSTRALIA			
All Ord.	1,214.8	1,214.7	853.7
Metals & Mins.	524.4	524.8	507.4
AUSTRIA			
Credit Aktien	n/a	116.45	104.35
BELGIUM			
Belgian SE	3,642.05	3,620.63	2,332.93
CANADA			
Toronto			
Metals & Minls	2,126.2*	2,131.11	1,886
Composite	3,056.3*	3,059.13	2,701.4
Montreal			
Portfolio	1,550.69*	1,550.01	132.04
DENMARK			
SE	n/a	214.46	193.54
FRANCE			
CAC Gen	n/a	340.60	225.8
Ind. Tendance	n/a	129.10	82.5
WEST GERMANY			
FAZ-Aktien	658.69	649.72	483.46
Commerzbank	1,978.90	1,951.3	1,427.1
HONG KONG			
Hang Seng	1,777.15	1,781.04	1,561.13
ITALY			
Banca Comm.	668.28	653.84	335.66
NETHERLANDS			
ANP-CBS Gen	291.60	290.8	209.8
ANP-CBS Ind	285.30	284.5	174.9
NORWAY			
Oslo SE	364.84	363.08	324.24
SINGAPORE			
Straits Times	776.89	726.41	784.66
SOUTH AFRICA			
JSE Golds	–	1,262.3	1,000.3
JSE Industrials	–	1,152.4	977.7
SPAIN			
Madrid SE	181.83	181.66	78.79
SWEDEN			
J & P	2,435.15	2,448.0	1,316.47
SWITZERLAND			
Swiss Bank Ind	565.00	568.6	437.6
WORLD	June 20	Prev	Year ago
MS Capital Int'l	322.20	320.0	212.7

COMMODITIES

(London)	June 23	Prev
Silver (spot fixing)	342.95p	339.35p
Copper (cash)	£937.00	£929.50
Coffee (September)	£1,821	£1,836.50
Oil (Brent blend)	$11.425	$11.53

GOLD (per ounce)

	June 23	Prev
London	$341.25	$341.00
Zürich	$340.70	$339.75
Paris (fixing)	$340.65	$338.84
Luxembourg	$339.40	$338.75
New York (Aug)	$343.30	$342.70

CURRENCIES

(London)	US DOLLAR June 23	US DOLLAR Previous	STERLING June 23	STERLING Previous
$	–	–	1.5	1.5
DM	2.2485	2.2445	3.3725	3.3675
Yen	167.90	167.70	251.75	251.5
FFr	7.1675	7.1625	10.75	10.745
SFr	1.8475	1.846	2.7725	2.769
Guilder	2.5315	2.528	3.7975	3.7925
Lira	1,541.5	1,539	2,312.25	2,308
BFr	45.85	45.825	68.75	68.75
C$	1.3875	1.388	2.085	2.083

INTEREST RATES

	June 23	Prev
Euro-currencies (3-month offered rate)		
£	9[15]/16	10⅛
SFr	5¼	5[5]/16
DM	4⅝	4½
FFr	7⅝	7⅛
FT London Interbank fixing (offered rate)		
3-month US$	7[1]/16	7[1]/16
6-month US$	7[1]/16	7[1]/16
US Fed Funds	6[15]/16*	6⅞
US 3-month CDs	6.60*	6.925
US 3-month T-bills	6.125*	6.11

US BONDS

Treasury

		June 23 Price	June 23 Yield	Prev Price	Prev Yield
7⅛	1988	100	7.0	99[27]/32	7.102
7⅜	1993	99[9]/32	7.52	98[18]/32	7.634
7⅜	1996	98[21]/32	7.54	97[31]/32	7.67
7¼	2018	97[27]/32	7.435	96[31]/32	7.505

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index (June 23*)	Day's change	Yield	Day's change
1–30	150.96	+0.28	7.63	–0.02
1–10	143.91	+0.18	7.46	–0.02
1– 3	135.80	+0.15	7.15	–0.02
3– 5	145.69	+0.18	7.67	–0.02
15–30	176.41	+0.62	8.21	–0.03

Source: Merrill Lynch

Corporate	June 19* Price	June 19* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	89⅞	8.79	89⅝	6.815
SCBT South Central				
10⅞ Jan 1993	105½	8.18	105½	8.16
Phibro-Sal				
8 April 1996	97.2	8.45	97.2	8.45
TRW				
8¾ March 1996	101⅞	8.50	101¾	8.5
Arco				
9⅞ March 2018	103¼	9.45	104	9.38
General Motors				
8⅛ April 2016	90⅞	9.01	91⅞	8.93
Citicorp				
9⅜ March 2016	96½	9.72	97⅜	9.62

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT)				
8% 32nds of 100%				
Sept	97–04	97–08	96–20	97–02
US Treasury Bills (IMM)				
$1m points of 100%				
Sept	94.20	94.22	94.18	94.21
Certificates of Deposit (IMM)				
$1m points of 100%				
June	n/a	n/a	n/a	93.35
LONDON				
Three-month Eurodollar				
$1m points of 100%				
Sept	93.23	93.26	93.22	93.24
20-year Notional Gilt				
£50,000 32nds of 100%				
Sep	121–11	121–20	121–03	121–20

* Latest available figures

TOKYO

Institutions fuel another rise to peak

INSTITUTIONAL investors and businesses in Tokyo further stepped up trading in large-capital stocks yesterday despite their continued rise, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average added 3.03 to 17,457.89 reaching a fourth consecutive all-time high in a continuation of the upward trend which began on June 16.

Volume shrank from last Friday's 1.46bn shares but was still high at 869.07m shares. Losses outpaced gains 433 to 419, with 129 issues unchanged.

Low-priced large-capital issues such as steel, shipbuilding and gas concerns were again actively traded by institutional investors. Although their price moves are usually narrow, some registered large gains.

Nippon Kokan, the most active stock with 128.21m shares traded, advanced Y8 to Y193. Tokyo Gas gained Y19 to Y506 with 89.69m shares changing hands. Ishikawajima-Harima Heavy Industries, with 86.23m shares changing hands, added Y17 to Y307 while Sumitomo Metal Industries and Nippon Steel rose Y1 each to Y164 and Y161, respectively. Kawasaki Steel closed Y2 higher at Y190.

Penta-Ocean Construction, which investors expect to win a dredging order if the second Panama project goes ahead, jumped Y34 to Y675. Some trading houses also became popular following their moves into the communications market and expected improvement in profits due to falling interest rates. Mitsubishi finished Y20 higher at Y830.

Blue chips held firm, but trading was low. Fuji Photo Film climbed Y40 to Y2,660.

The market became bullish on May 19 and, between then and last Saturday, the Nikkei average has added 1,780 points. Of the rise, 379 points were added in the past four days, unsettling investors. But institutional investors with surplus funds continued to seek capital gains, countering to some extent the cautious mood. Another positive factor was that investment trusts formed in June reached almost Y400bn, promising big stock purchases toward the end of the month.

In contrast, bond prices plunged, with market participants discouraged by the huge selling of futures, totalling more than Y100bn, by one hrokerage house. Although the market calmed temporarily when the Bank of Japan conducted a buying operation of Y50bn, selling resumed later.

The yield on the 6.2 per cent government bond maturing in July 1995 rose from 4.795 per cent on Saturday to 4.895 per cent. The 5.1 per cent government bond due in March 1996 climbed from 5.100 per cent to 5.200 per cent.

SOUTH AFRICA

A FALL in the value of the rand took gold shares higher as the bullion price firmed.

Among golds Driefontein rose R1.60 to R58.60 and Free State Consolidated 50 cents to R35. However, Buffelsfontein, which went ex-dividend, slipped R6 to R81.50.

Mining financials and other minings followed the trend upwards, with Anglo American adding 25 cents to R47.50, Rustenburg Platinum 50 cents to R37.25 and diamond share De Beers 45 cents to R27.95.

CANADA

ACTIVE trading took Toronto marginally lower although many sectors were largely unchanged.

Among industrials CCL Industries Class B traded C$¼ down to C$18, and Bow Valley Industries fell C$⅛ to C$10⅛.

Oils traded mixed. Imperial Oil Class A added C$⅛ to C$39⅛ while Texaco Canada fell C$⅜ to C$26⅜.

Golds closed largely unchanged. Campbell Red Lake traded C$¼ higher to C$20⅞ while Dome Mines was steady at C$8½.

EUROPE

Frankfurt springs to life

TECHNICAL FACTORS dominated trading on the European bourses yesterday.

The upturn in Frankfurt came after three sessions of losses. Brisk bargain-hunting injected some lifa into moderately active trading that took the Commerzbank index 27.6 higher to 1,978.9.

Banks and electricals scored solid gains while retailers and utilities turned lower.

Dresdner sprinted DM 5.20 ahead to DM 422.70 while Deutsche Bank closed DM 5 up at DM 792. Insurer Allianz jumped DM 95 to DM 2430.

Brown Boveri starred in the electrical sector with its DM 10 advance to DM 315 while Siemens settled DM 9 higher at DM 643. Varta moved against the trend with its DM 1 decline to DM 286.

Steels were mixed but mostly higher, with Hoesch DM 9 up at DM 189. Gains of DM 2.50 each were scored hy Mannesmann at DM 215 and Thyssen at DM 166.50.

Leading chemicals firmed amid growing investor belief that strong mid-year earnings were soon to be released. Hoechst rallied DM 6.50 to DM 273 while BASF picked up DM 6.80 to DM 292.50.

Schering, however, dropped DM 3 to DM 567, and metals refiner Degussa retreated DM 1 to DM 439.50.

Bonds were quiet as foreign buyers remained out of the market. The Bundesbank bought DM 38.3m worth of domestic paper after purchasing DM 97.5m on Friday.

Paris also scored a technical recovery as volatile trading began in the new account with one eye on Wall Street's Friday surge.

Trading was suspended in several issues due to large order imbalances. Générale de Fonderie managed a dazzling 19 per cent (FFr 4.60) jump to FFr 29.60 while Poclain scored a 9 per cent gain with its FFr 5.70 advance to FFr 71.

Screg proved a weak spot with its FFr 14.50 drop to FFr 62.50.

The exchange also began experimental continuous trading in five shares, which is expected to spread to 50 issues by the end of the year.

Brussels saw heavy demand for domestic issues with particular attention on the flotation of 227,000 shares in ACEC's 65 per cent owned subsidiary Barco Industries. The shares, 30 times oversubscribed, finished trading at BFr 2,650 against its opening quote of BFr 2,200.

Petrofina jumped BFr 120 to BFr 6,230 while UCB among chemicals gained BFr 210 to BFr 7,950 on rekindled speculation that it may merge in some form with Solvay, which was unchanged at BFr 7,850.

Amsterdam lost momentum after an opening gain. Internationals featured although Unilever lost an early Fl 6 gain to finish only Fl 2.30 higher at Fl 488.30. Royal Dutch added Fl 1.70 to Fl 198.70 while Philips was unchanged at Fl 54.10 amid plans for Far Eastern expansion.

Fokker suffered a Fl 3.90 drop to Fl 94.60 after the rumours that the aircraft group was poised for a huge order from Guinness Peat Aviation proved incorrect. It revealed, however, two smaller overseas deals worth Fl 135m.

Stockholm lost ground in thin trading. Among weak industrials Asea picked up SKr 3 to SKr 379 on plans to buy Finnish electrical equipment maker Stromberg.

Electrolux was the most active with its SKr 3 drop to SKr 269 while Volvo suffered a sharp SKr 13 decline to SKr 399.

Milan was cautiously firmer ahead of the results of the Sicilian elections.

Zürich was mixed in light volume while **Madrid** made slight gains in post-election trading. **Oslo** edged higher.

AUSTRALIA

SUBDUED trading left Sydney marginally lower despite some support for hlue-chip industrials. The All Ordinaries index ended the session 0.1 down at 1,214.6.

Late trading in BHP, Australia's biggest public company, took the share 4 cents down to A$8.76.

Bell Resources added 5 cents to A$4.35 while its parent Bell Group was 10 cents higher at A$9.50. Among gold mines Poseidon added 5 cents to A$3.05 and Kidston Gold 4 cents to A$6.20 on news of a weaker Australian dollar.

LONDON

INSTITUTIONAL investors retreated to the sidelines in London leaving leading shares lower for the first time in eight trading sessions.

Forecasts of lower growth helped to encourage the cautious mood, with electricals the worst affected. GEC lost 8p to close at 196p in active trading.

Elsewhere among actives, British Aerospace closed 5p lower at 525p, British Telecom 6p to 232p, Hawker Siddeley 10p to 557p, Marks and Spencer 6p to 526p, Heath (CE) 26p to 540p and Hestair 17p to 166p.

Gains included Bowater Industries, up 5p to 330p, Keep Trust, 16p to 1[illegible]3p, and AE, 6p to 245p.

In the government bond market, longer-dated gilts showed gains ranging to ½, largely following the improved trend in the US bond market.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39

SINGAPORE

STRONG buying interest continued in Singapore taking prices higher across a broad front.

Low-priced stocks were actively traded while higher-priced issues scored good gains.

The Straits Times industrial index added 16.97 to close at 776.89, a high for the year.

Among banks DBS closed 15 cents up at S$7.10, Malay Banking was 14 cents higher at S$4.06 and UOB added 20 cents to S$4.26.

Elsewhere, Singapore Press was up 15 cents to S$7.70, Singapore Airlines added 10 cents to S$7.05 and Genting ended 2 cents higher at S$5.76.

HONG KONG

TECHNICAL selling by institutions left Hong Kong lower despite gains early in the session. The Hang Seng index closed 3.89 down at 1,777.15.

Utilities, however, generally held steady. China Light closed unchanged at HK$16.10 as did Hongkong and China Gas at HK$16.80 and Hongkong Telephone at HK$11.90. Hongkong Electric, however, lost 5 cents to HK$8.85.

Banks were also largely unchanged. Hang Seng ended steady at HK$35 and Hongkong and Shanghai Bank was unchanged at HK$6.80.